

**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## JOINT AUDIT COMMITTEE

9.30am – 30 July 2020

Online by Microsoft Teams

### AGENDA

#### Membership:

Rachel Barber (Chair)  
John Cunliffe  
Claire Hodson  
Dianne Walker

	Standing Items		Purpose	Page	Time
	<b>Apologies</b>	Chair			
99	<b>Minutes of the last meeting</b> The Chair shall propose that the minutes of the meeting held on 9 March 2020 be signed as a true record	Chair		Pg 3-11	5 Mins
100	<b>Actions Log</b>	Chair		Pg 12-18	5 Mins
	<b>Standing Items</b>				
101	<b>HMIC Update</b>	Chief Superintendent Corporate Services	Information	Report Pg 19-20	5 Mins
102	<b>Internal Audit</b> a. Internal Audit Overview – Management Report (incl. summary of Follow-up Review and Annual Report) b. Internal Audit SICA 2019-20 c. Internal Audit SICA 2020-2 incl. Annual Plan	a Director Finance & Resources / Budget Officer  b&c – TIAA Audit Manager	Assurance	Report Pg 21-35  Pg 36-45 Pg 46-57	5 Mins  5 Mins
103	<b>Risk Update</b> - Risk Process Development & Current Risk Register	Chief Superintendent Corporate Services	Assurance	Report Pg 58-66	10 Mins
	<b>Substantive Items</b>				
104	<b>Organisation Update</b>	CEO & Director Finance and Resources	Information	Verbal	10 Mins
105	<b>Assurance Board – Role &amp; Remit</b>	Assurance Board Chair	Assurance	Report Pg 67-71	10 Mins

106	<b>Value For Money - Presentation</b>	Director Finance and Resources / Head of Finance	Assurance	Slides	20 Mins
107	<b>COVID-19 incl. Recovery Plan - Presentation</b>	Temporary Assistant Chief Constable	Information	Slides	20 Mins
108	<b>Update on 2019-20 Statement of Account</b> a. NWP Verbal Update b. Wales Audit update c. Audit accounts letters d. Treasury Management Outturn Report	Head of Finance	Information	Report and Verbal  Pg 72-100 Pg 101-111	10 Mins
109	<b>Governance Update</b> • Governance Review • Joint Governance Board	Chief Finance Officer / Head of Corporate Services	Assurance	Report Pg 112-116 Pg 117-120	10 Mins
110	<b>Joint Audit Committee Annual Report (for discussion)</b>	Chair of Joint Audit Committee	Information	Report Pg 121-145	5 Mins
111	<b>Work Programme for 2020/21</b>	Director Finance and Resources and Chief Finance Officer	Decision	Report Pg 146-149	10 Mins
	<b>AOB (Advise the chair ahead of the meeting)</b>				
112	<b>AOB1</b> – All Wales Development Session  <b>AOB2</b> – Annual Audit Plan 2020, Impact of Covid-19  <b>AOB3</b> – Membership of JAC	Chair of Joint Audit Committee  Audit Wales  Chief Executive	Information	Verbal  Pg 150-58	15 Mins
	<b>DATES OF FUTURE MEETINGS</b> 5 <sup>th</sup> October 2020 10 <sup>th</sup> December 2020 30 <sup>th</sup> March 2021 PROV 29 <sup>th</sup> July 2021 PROV 6 <sup>th</sup> October 2021 PROV 8 <sup>th</sup> December 2021				
		TOTAL			<b>145 Mins</b>

## JOINT AUDIT COMMITTEE

9 March 2020

### PRESENT

#### JOINT AUDIT COMMITTEE:

Rachel Barber - Chair  
John Cunliffe  
Dianne Walker  
Claire Hodson

#### FORCE OFFICERS:

Seb Phillips – Director of Finance & Resources  
Guto Edwards - Head of Finance  
Helen Williams - Financial Control Accountant  
T/Chief Superintendent Simon Williams – Corporate Services  
Anne Matthews – Finance & Budgets Officer  
Darren Griffiths – Interim Governance Manager

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

Stephen Hughes – Chief Executive Officer  
Kate Jackson – Chief Finance Officer  
Angharad Jones – PA to the Chief Executive

#### OTHER ATTENDEES

Helen Cargill, TIAA  
Derwyn Owen, Wales Audit Office  
Michelle Phoenix, Wales Audit Office

### APOLOGIES AND DECLARATIONS OF INTEREST

No apologies were received.

Chair noted that Jim Illidge had tendered his resignation from the Joint Audit Committee.

### 88. MINUTES AND ACTION LOG

The minutes of the meeting held on 28 November 2019 were agreed as a true record of the meeting.

89. **ACTION LOG**

Action Log was updated and will be circulated with the minutes. The Committee requested that in future the action log is updated in advance of the meeting to enable the actions to be reviewed by exception in more detail at the meeting.

ACTION 89	Action Log to be updated in advance of meetings to enable actions to be reviewed by exception at Joint Audit Committee.
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90. **HMICFRS UPDATES**

Joint Audit Committee noted the HMICFRS update paper.

T/Chief Superintendent Corporate Services updated the Committee on action against PEEL Inspection by the HMICFRS. North Wales Police's overall grading for this inspection was good with 'Treating the Public Fairly' as 'requires improvement' and 'Ethical and Lawful Workforce Behaviour' graded as 'good'.

North Wales Police is one of six forces selected for fieldwork against the Police Super Complaints. This is a new process of investigation which allows designated organisations to raise issues on behalf of the public about what they see as harmful patterns or trends in policing. Liberty and Southall Black sisters have made a super-complaint that alleges that the police practice of passing victim and witness information to the Home Office for the purpose of immigration enforcement is harming the interests of victims and the public.

As at 6 January 2020 North Wales Police had 34 open recommendations (17 of these are inactive) and overall completion rate of 84%. All recommendations have been risk assessed enabling the force to prioritise and concentrate on those that pose the most risk or harm. North Wales Police sit very highly in the national tables for Outstanding Recommendations and Success Rate of Completion per Force.

91. **INTERNAL AUDIT REPORT AND PROGRESS REPORT**

a. INTERNAL AUDIT OVERSIGHT

Joint Audit Committee noted the content of the paper.

It was noted that the Health and Safety Management digitisation action is on track and that the new reporting system was being launched today. This action would be closed after successful launch.

All but one of the other actions were on track with the ICT Network Security action experiencing a slight (2 month) slip.

Joint Audit Committee asked if a cover report/executive summary could be produced to provide a high level summary of issues arising and the Forces response to the status of actions.

<b>ACTION 91a</b>	Finance and Budgets Officer to produce a cover report/executive summary for next Joint Audit Committee meeting.
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b. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REVIEW

This report summarises and provides an update on the progress of work undertaken in 2019-20 and updates on progress against the Annual Plan.

Seven reviews have been completed since the last meeting with 6 mentioned in this document with additional Single Online Home being completed later with no significant concerns arising and no common themes or concerns arise from the audits undertaken.

Two audits have been postponed – contracts management as there had been too many audits concentrating on contracts and collaboration deferred to a later date. Joint Audit Committee approved this decision.

**DECISION: Joint Audit Committee approved the postponement in carrying out the Collaboration and Contract Management audits.**

Joint Audit Committee enquired if management, on behalf of the Chief Constable and PCC, were happy that these audits had not taken place and Management confirmed this to be the case and that they have come-up with their own approach to look at these areas of work. The outcomes will be taken to the Joint Governance Board and placed on the July Joint Audit Committee Agenda.

<b>ACTION 91b</b>	Force Management Statements to be placed on the Joint Governance Board and the July Joint Audit Committee Agenda.
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Joint Audit Members enquired whether the Police and Crime Commissioner and Chief Constable were happy that the days allocated to Internal Audit were not used and that these are to be carried forward to the next year. Management confirmed this to be the case and Chair will note this within the Joint Audit Committee Annual Report.

<b>ACTION 91c</b>	Chair to note within the Joint Audit Committee Annual Report that the PCC and Chief Constable were content that not all days allocated to Internal Audit were used and to be carried to next financial year.
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Internal Audit confirmed that an extra column will be added to Appendix 2 highlighting what management action had been taken. This will assure Joint Audit Committee that the necessary action had been taken against the Client Briefing Notes.

ACTION 91d	Internal Audit to add extra column to table in Annex 2 to take account of Management Action.
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c. ASSURANCE REPORT – HR MANAGEMENT – WELLBEING STRATEGY

Joint Audit Committee noted the Assurance Report - HR Management - Wellbeing Strategy report where substantial assurance was received with only one routine action highlighted.

It was noted that there are a number of forums already in place to scrutinise the Wellbeing Strategy work. The Deputy Chief Constable heads this group and it is currently being considered and assessed.

d. COLLABORATIVE ASSURANCE REVIEW OF DEBTORS

Joint Audit Committee noted the Collaborative Assurance Review of Debtors where substantial assurance was received for North Wales Police with only one routine and one operational action highlighted.

It was noted that North Wales have shared their procedures with Dyfed Powys Police who will share with the rest of Wales as North Wales processes are working well.

e. COLLABORATIVE ASSURANCE REVIEW OF ESTATE MANAGEMENT DELIVERY

Joint Audit Committee noted the Collaborative Assurance Review of Estate Management Delivery where reasonable assurance was received for North Wales Police with three important, 1 routine and operational action raised.

f. COLLABORATIVE ASSURANCE REVIEW OF PAYROLL ARRANGEMENTS

Joint Audit Committee noted the Collaborative Assurance Review of Payroll Arrangements where substantial assurance was received with 2 routing actions raised.

g. ASSURANCE REVIEW OF CAPITAL PROGRAMME

Joint Audit Committee noted the Assurance Review of Capital Programme where substantial assurance was received with 2 operational actions raised.

h. COLLABORATIVE REVIEW OF SINGLE ONLINE HOME

Joint Audit Committee noted the Collaborative Assurance Review of Single Online Home where reasonable assurance was received with 3 important actions raised.

92. **RISK UPDATE**

Joint Audit Committee noted the Risk Update paper.

It was noted that the Uplift Programme would be managed by the T/Chief Superintendent Corporate Services but with input from other officers/departments/boards.

### 93. RISK MANAGEMENT PROCESS

Director of Finance and Resources and T/Chief Super Corporate Services updated the Joint Audit Committee of progress since last meeting and how the risk process was being used more widely within North Wales Police.

It was noted that a Risk and Business Continuity role was being recruited and Joint Audit members asked for sight of the job description to ensure that all areas of work incorporated into this role.

ACTION 93a	T/Chief Superintendent to share Risk and Business Continuity job description with Joint Audit Committee.
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Joint Audit Committee noted the progress made since last year with the Risk Management process being in a very different place from when started with a much more structured process in place.

It was asked if assurance can be given at Joint Audit Committee on how the process is being managed and how the outstanding actions presented at the meeting would be monitored and reviewed. It was stated that assurance is required that the risks are managed properly and that the Assurance Board should report to the Joint Audit Committee meetings as need assurance that the risk are managed and regularly updated.

ACTION 93b	Chair of the Assurance Board to ensure that ongoing monitoring of Risk Management Framework and delivery of next steps will be progressed via the Assurance Board.
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ACTION 93c	Chair of the Assurance Board to ensure that progress updates in relation to delivery of next steps regarding the Risk Management Framework are reported to Joint Audit Committee on an ongoing basis.
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Member of Assurance Board to present paper to next Joint Audit Committee in July to explain what assurance is sought by them and outline the relationship with the Joint Audit Committee

ACTION 93d	Director of Finance and Resources to ask Chair of the Assurance Board to prepare paper and attend July Joint Audit Committee meeting.
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### 94. ANNUAL GOVERNANCE STATEMENT – GOVERNANCE FRAMEWORK & REVIEW

Annual Governance Statement

Joint Audit Committee noted the draft Governance Statement and the proposed changes to the document.

It was reported that there seems to be an opportunity missed for recording the progress made thus far and more in-depth work needs to be completed.

Management stated that the re-formed Governance Board will carry out a mop-up exercise for the Governance Statement and stated that this board will need to take the Government Review recommendations into account. Joint Audit Committee stated that there needs to be a distinct difference between the work of the Governance and Assurance Boards and needs to re-visit the Terms of Reference to re-define the role of the Governance Board.

ACTION 94a	Terms of Reference for the Joint Governance Board to be re-visited to ensure distinct differences between Governance and Assurance Boards.
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Joint Audit Committee enquired whether there was a further role within North Wales Police around Governance or can it be incorporated within the current structure? It was stated that it might be worth looking at how other organisations deal with their governance process and whether there are any lessons to be learnt.

Management to draft a job description for the Governance Role to encourage further discussion within the organisation and share with Joint Audit Members. This can be discussed further at the June off-line meeting.

ACTION 94b	T/Chief Superintendent Corporate Services to draft Governance job description and share with Joint Audit Committee members. Place on June off-line meeting agenda.
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### Governance

Joint Audit Committee noted the paper presented on the North Wales Police Governance Project.

The governance Review was undertaken as part of the Governance Project which involved interviewing a wide group of stakeholders, reviewing relevant Force documents and identifying and assessing best practice in other Forces.

The review highlighted positive practice and identified areas for improvement with a total of 28 recommendations put forward aimed at enabling the Force to strengthen its governance arrangements.

The Force's Chief Officer Team have accepted the findings, conclusions and recommendations and have shared with Senior Leaders and Managers, Police and Crime Commissioner and Joint Audit Committee members.



An Action Plan has been prepared to implement the recommendations and progress is being made in relation to producing a Code of Corporate Governance, Scheme of Delegation and refreshing the Force's governance structure.

It is hoped that a draft Scheme of Delegation will be ready by the end of the week. Once drafted it will be shared with the Joint Audit Committee for comment.

ACTION 94c	Interim Governance Manager to share draft Scheme of Delegation to be shared with Joint Audit Committee for their comments.
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T/Chief Superintendent Corporate Services thanked Interim Governance Manager for his hard work and stated that he and his team will be progressing this project. The Governance work will be tracked/scrutinised at the Joint Governance Board and an Executive Summary will be produced for Joint Audit Committee meetings.

ACTION 94d	Governance to be tracked/scrutinised at the Joint Governance Board meetings with executive summary produced for Joint Audit Committee meetings.
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#### 95. CAPITAL STRATEGY

Joint Audit Committee endorsed the executive summary for the draft Capital Strategy report which is required to meet the requirements of CIPFA Treasury Management in the Public Services' Code of Practice which the Police and Crime Commissioner is legally required to follow.

#### 96. INTERNAL AUDIT ANNUAL PLAN

Joint Audit Committee approved the Audit Strategy and Annual Internal Audit Plan for 2020/21.

It was noted that the plan had been informed by an updated audit risk assessment to ensure that planned coverage for the year focussed on the key audit risks and that the agreed collaboration reviews coverage would enable a robust annual Head of Internal Audit Opinion to be provided.

Collaborative audits will cook at three risk areas –

- Governance
- Risk
- Financial systems – cost control and income maximisation

Will also seek a common risk that all four Forces have to see what guidance can be put in place.

The 14 days not used this financial year to be forwarded to next year as contingency days.

ACTION 96	Chief Finance Officer to ensure that the 14 days Internal Audit days not used this Financial Year are carried over to 2020-2021.
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**97. WALES AUDIT OFFICE ANNUAL PLAN**

Joint Audit Committee approved the Wales Audit Office Annual Plan for 2020.

The Wales Audit Office audits two sets of accounts and this document provides a reminder of the Wales Audit Office's role and responsibilities.

It was noted that good quality accounts need to be prepared in line with industry standards and it was noted that pension liabilities need to be carefully watched during the summer period as this might have a significant impact on quantum of liability figure.

Wales Audit Office stated that they understood that their fees would be discussed at the June meeting and would welcome the opportunity to be present.

Joint Audit Committee noted that the meeting would be to review the accounts and not an audit of the accounts. Joint Audit Member and Head of Finance to discuss what format the meeting will take in June.

ACTION 97	Head of Finance and Joint Audit Member to discuss format of June meeting,
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**98. PROCUREMENT AND CONTRACT MANAGEMENT**

Head of Procurement provided the Joint Audit Committee with an overview of the department and its role and responsibilities.

It was explained that the Procurement Department had a close working relationship with the North West as well as the Welsh Police Forces. In many instances because of the geography of North Wales it is easier to deal with the North West as they are much closer to us.

**ANY OTHER BUSINESS**

Joint Audit Committee Annual Report

Final copy of the Joint Audit Committee Annual Report will be presented at the July meeting.

It was reported that it would be difficult for the Joint Audit Committee to state that Value for Money is achieved as they have not received oversight of this and asked if the Value for Money policy had been updated. Head of Finance reported that many documents are available showing how we measure value for money and will produce an overview to be shared with the Committee.

ACTION 99a	Head of Finance to provide Joint Audit Committee overview of how Value for Money is measured within North Wales Police.
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It was noted that Wales Audit Office comment on value for money in their audit letter and Joint Audit Committee asked whether there was a summary document which provided this.

#### Forward Work Plan

The Committee requested that the Forward Work plan is included at each Public meeting to enable the review of future meetings at each meeting and to capture all activities such as the JAC Annual Report and the Annual Review of Effectiveness of the Committee.

ACTION 99b	Chief Finance Officer to ensure that a Forward Work plan is included as an agenda item at future Joint Audit Committee meetings to enable Committee members to review and capture future activities.
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#### Joint Governance Board

It was noted that the Office of the Police and Crime Commissioner's website stated that the Joint Governance Board had been disbanded. Personal Assistant to update website to reflect changes.

ACTION 99c	Personal Assistant to update Office of the Police and Crime Commissioner website to reflect the re-establishment of the Joint Governance Board.
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DRAFT

	Open
	Closed
	Deferred

New/Open actions from March 2020

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
	22a	<b>AOB – GDPR</b> – Chief Executive Officer to look into the sharing of information between North Wales Police and the Office of the Police and Crime Commissioner under the new GDPR.	Immediate	CEO	<p>Information Sharing Agreement required between the Office of the Police and Crime Commissioner and North Wales Police. Head of Information Standards &amp; Compliance was working on this.</p> <p>ISA/MOU is being drafted for the sharing of information between OPCC and NWP. It is proposed to have one document to complement the Policing Protocol. CEO does not believe that this is needed as sharing of information is covered by the Policing Protocol and legislation that covered the work of the Commissioner but Work is still progressing between both organisations. This work is being progressed.</p> <p>09/10/2019 – Head of Information Standards and Compliance is still liaising with other Forces to see what needs/has to be done but the Policing Protocol covers the transfer of information between OPCC's and Forces.</p> <p>04/03/2020 - The first draft of the MOU has been received, observations and requests for amendments have been made. The CEO will liaise with the Force's Chief Information Officer in order to finalise this document.</p> <p>09/03/2020 – Hope to finalise document by the end of March.</p> <p>02/06/2020 – Awaiting final document which has been requested by the end of June. Will be circulated to JAC</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					members when finalised. 07/07/2020 Shared with JAC members. <b>Recommend action closed.</b>	
	42	<b>Wales Audit Office – Fraud Enquiry Letters</b> – In future, Chief Finance Officer to provide previous year’s response to the Fraud Enquiry Letters for both years side by side in a single document in order for the Joint Audit Committee to be able to compare both more easily.	July 2020	CFO	Ongoing. 08/06/2020 Document currently being produced and will be presented to the meeting. As requested both years information will be provided in the same document to aid comparison.	
	56a	<b>Ethics</b> - Police and Crime Commissioner to raise with Victim’s Commissioner the dilemma received regarding individuals who are sexually assaulted.	On hold	Police and Crime Commissioner	Chief Finance Officer has liaised with Chief Information Officer who states that this is a national issue which is being considered currently by the ICO, CPS and courts and recommends that the PCC does not involve himself in the matter at the moment. 09/03/2020 – as national issue, the PCC getting involved may hinder progress. Put on hold until the national picture becomes clearer. 02/06/2020 - On hold. Awaiting national progress.	
	56b	<b>Ethics</b> – Chief Information Officer to produce simple flow diagram of the ethical dilemma process and how it is embedded within North Wales Police Governance	Immediate	Governance and Policy Officer	<b>28/11/2019</b> Governance and Policy Officer to pick-up and take forward. 04/03/2020 T/Chief Supt Corporate Services will produce a simple flow diagram re Ethical Dilemmas and share at next JAC meeting. (This diagram may be subject to change once the new Independent Chair is appointed – see action 56c). 09/09/2020 – draft copy to be shared with Joint Audit Committee and then presented to the Ethics Committee for finalisation and then re-shared with Joint Audit Committee. 02/06/2020 – Ethical Dilemmas Process Flow Chart shared with Joint Audit Committee. <b>Recommend action closed.</b>	
	59b	<b>Internal Audit</b> - Internal Audit to check what action has been taken against the Data Assurance recommendation.	March meeting	Internal Audit Manager	One of the recommendations was closed off at 2018/19 Follow-up and the remaining two will be assessed during the 2019/20 Follow-up. 28/11/2019 Internal Audit follow-up audits will happen in Feb/March	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					and will report on findings. 04/03/2020 Internal audit follow-up review being undertaken w/c 2 March. 03/06/2020 – Reviewed as part of the 2019/20 follow-up and are complete. <b>Recommend action closed.</b>	
	59h	<b>Internal Audit</b> - Director of Finance and Resources to update Joint Audit Committee of ICO visit to North Wales Police to review their action plan in relation to GDPR.	When ICO visit completed	Director of Finance and Resources	The review took place in preparation for the introduction of GDPR and the actions are completed. <b>28/11/2019</b> Re-open. Director of Finance and Resources will look into this report back to Joint Audit Committee. 04/03/2020 DFR has met with the Head of Information Security & Compliance to discuss progress in relation to the TIAA audit recommendations stemming from the GDPR audit. The actions have been tracked via the Internal Audit standing item to date (the wording of the action requires amendment as the last ICO visit review was in Jan 2013). Two actions remain open in relation to audit GDPR Compliance Audit PO No FN27625. An updated position is provided below: 237156 Discharging the action will be dependent on the delivery of the National Enablement Programme (currently a Project within the Digital Transformation Programme of work) with a full deployment to commence post completion of a Business User Pilot and expected to take a further 12 months. 237154 IS&C have progressed the necessary works producing a Data Protection Policy and discharging the action is dependent on the Policy officer ratifying the document produced. The proposal is to close this action on the action log and track progress via the Internal Audit Standing agenda item. 09/03/2020 DFR to consider whether IS&C team contact the ICO to explore possible avenues for assurance of GDPR compliance. 02/06/2020 – Meeting with CIO and Head of Information	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					Standards and Compliance scheduled post March JAC but cancelled due to Covid. Meeting to finalise view on proposed next steps for June.	
	79b	<b>Internal Audit Report and Progress Report</b> - Internal Audit to place an extra column for comments within the Client Briefing Notes table.	By March meeting	Internal Audit Manager	Sent the SICA for translation prior to receiving actions log. Future reports to be amended accordingly and will liaise with Management for responses. 02/06/2020 – Internal schedule prepared with extra column for Management response. Being reported internally via F&R SMT - included as part of the papers under item 102 of the July meeting. <b>Recommend action closed</b>	
	89	<b>Action Log</b> - Action Log to be updated in advance of meeting to enable actions to be reviewed by exception at Joint Audit Committee	By July meeting	Personal Assistant	02/06/2020 - Period follow-up on actions to be co-ordinated by secretariat. <b>Recommend action closed.</b>	
	91a	<b>Internal Audit</b> – Finance and Budgets Officer to produce a cover report/executive summary for next Joint Audit Committee meeting	By July Meeting	Finance and Budgets Officer	02/06/2020 - Internal Control section added to F&R SMT as standing agenda item. Summary reports will provide a much abbreviated output for JAC. The intention is to continue to share the core working paper documentation with JAC members prior to the meeting itself. New format of papers provided under item 102 of the July meeting. <b>Recommend action closed.</b>	
	91b	<b>Internal Audit</b> - Force Management Statements to be placed on the Joint Governance board and the July Joint Audit Committee Agenda	By July Meeting	Personal Assistant/ Superintendent Corporate Services	02/06/2020 There is no obligation to produce the Force management Statement during 2020/21. The document however will be reviewed and produced for the March 2021 meeting.	
	91c	<b>Internal Audit</b> – Chair to note within the Joint Audit Committee Annual Report that the PCC and Chief Constable were content that not all days allocated to Internal Audit were used and to be carried to next financial year	By July Meeting	Chair of Joint Audit Committee	Statement included within the Annual Report for 2019/20. <b>Recommend action closed</b>	
	91d	<b>Internal Audit</b> – Internal Audit to add extra column to table in Annex 2 of the Client Briefing Note to take account of Management Action.	Immediate	Internal Audit- Now Treasury & Budgets Officer	02/06/2020 – CBNs are now monitored via F&R SMT and will be reported to JAC under the Internal control section of the agenda (links to action 91a). <b>Recommend action closed.</b>	
	93a	<b>Risk Management Process</b> – T/Chief	Immediate	T/Chief	Document shared with JAC 10/03/2020. <b>Recommend</b>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Superintendent to share Risk and Business Continuity job description with Joint Audit Committee		Superintendent Corporate Services	<b>action closed.</b>	
	93b	<b>Risk Management Process</b> – Chair of the Assurance Board to ensure the ongoing monitoring of Risk Management Framework and delivery of next steps will be progressed via the Assurance Board	Immediate	Chair of Assurance Board	02/06/2020 – Delivery of NWP’s progression in relation to the risk agenda (inc risk assurance mapping, risk appetite, risk categorisation) is being led by the newly appointed risk lead, overseen by the Assurance Board. Assurance Board Chair to present at the July meeting. <b>Recommend action closed.</b>	
	93c	<b>Risk Management Process</b> - Chair of the Assurance Board to ensure that progress updates in relation to delivery of next steps regarding the Risk Management Framework are reported to Joint Audit Committee on an ongoing basis.	Immediate	Chair of Assurance Board	02/06/2020 – The Risk Lead will provide a Risk Report covering the progression of the delivery of the next steps in respect of the Risk Management Framework for scrutiny at JAC. This is a standing agenda item. The Chair of the Assurance Board will present at the July meeting. <b>Recommend action closed.</b>	
	93d	<b>Risk Management Process</b> - Director of Finance and Resources to ask Chair of the Assurance Board to prepare paper and attend July Joint Audit Committee meeting.	By July meeting	Director of Finance and Resources	02/06/2020 Chair of Assurance Board invited to attend and prepare paper. Assurance Board Role and Remit paper and agenda item prepared for July agenda. <b>Recommend action closed.</b>	
	94a	<b>Annual Governance Statement</b> - Terms of Reference for the Joint Governance Board to be revisited to ensure distinct differences between Governance and Assurance Boards.	Immediate	Chief Finance Officer	02/06/2020 - The ToR were discussed and reviewed at the Joint Governance Board meeting in March 2020. The ToR were updated to reflect the changes agreed at the meeting. (The latest version circulated to JAC 03/06/2020). Meeting’s purpose and objectives are different and distinctive to those of the Assurance Board. The ToR of the Assurance Board (circulated 03/06/2020). (Please note, ToR of the Assurance Board were prepared using the old format and will be formatted in accordance with the new corporate template in due course.) <b>Recommend action closed.</b>	
	94b	<b>Annual Governance Statement</b> - T/Chief Superintendent Corporate Services to draft	June	T/Chief Superintendent Corporate Services	02/06/2020 – Job Description for the Governance Post is currently being re-evaluated and therefore has recently been re-visited. The latest Job description- shared with JAC	



MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Governance job description and share with Joint Audit Committee members. Place on June off-line meeting agenda.		Services	members 08/06/2020. <b>Recommend action closed.</b>	
	94c	<b>Annual Governance Statement</b> - Interim Governance Manager to share draft Scheme of Delegation with Joint Audit Committee for their comments.	Immediate	Interim Governance Manager	03/06/2020 - draft Chief Constable's Scheme of Delegation has been previously shared 03/06/2020. Draft is currently subject to review by the Force's Chief Officers. 26/06/2020 – Draft shared with Joint Audit Committee.	
	94d	<b>Annual Governance Statement</b> - Governance to be tracked/scrutinised at the Joint Governance Board meetings with executive summary produced for Joint Audit Committee meetings.	By July meeting	T/Chief Superintendent Corporate Services	02/06/2020 – ToR for Joint Governance Board to incorporate this aspect of the board. Governance update on July 2020 agenda. <b>Recommend action closed.</b>	
	96	<b>Internal Audit Plan</b> - Chief Finance Officer to ensure that the 14 days Internal Audit days not used this Financial Year are carried over to 2020-2021.	Immediate	Chief Finance Officer	TIAA has billed for days worked in 2019/20. Remaining budget has been brought forward to the new financial year. <b>Recommend action closed.</b>	
	97	<b>Wales Audit Office Annual Plan</b> - Head of Finance and Joint Audit Member to discuss format of June Meeting	Before June meeting	Head of Finance and JAC member	02/06/2020 – discussed and draft agenda circulated. <b>Recommend action closed.</b>	
	99a	<b>AOB – Joint Audit Committee Annual Report</b> - Head of Finance to provide Joint Audit Committee overview of how Value for Money is measured within North Wales Police.	Immediate	Head of Finance	02/06/2020 – Proposed item and presentation for July 2020 agenda. Recommend July 2020 agenda item. <b>Recommend action closed.</b>	
	99b	<b>AOB – Forward Work Plan</b> - Chief Finance Officer to ensure that a Forward Work plan is included as an agenda item at future Joint Audit Committee meetings to	Immediate	Chief Finance Officer	<b>On agenda as substantive item. Recommend action closed.</b>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		enable Committee members to review and capture future activities.				
	99c	<b>AOB – Joint Governance Board</b> - Personal Assistant to update Office of the Police and Crime Commissioner website to reflect the re-establishment of the Joint Governance Board.	Immediate	Personal Assistant	<a href="#">Website updated to reflect re-establishment of Joint Governance Board. Recommend action closed.</a>	

Closed actions since last meeting – Archived March 2020 - available on request

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME

Abbreviation Key	
<b>CC</b>	Chief Constable
<b>CEO</b>	Chief Executive Officer (OPCC)
<b>CFO</b>	Chief Finance Officer (OPCC)
<b>DFR</b>	Director of Finance and Resources (NWP)
<b>Head of Finance</b>	Guto Edwards
<b>Head of Procurement</b>	Patricia Strong
<b>HMICFRS</b>	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
<b>JAC</b>	Joint Audit Committee
<b>NWP</b>	North Wales Police
<b>OPCC</b>	Office of the Police and Crime Commissioner
<b>PA</b>	Personal Assistant to CEO and CFO
<b>PCC</b>	Police and Crime Commissioner
<b>PSD</b>	Professional Standards Department (NWP)
<b>TIAA</b>	Internal Audit
<b>WAO</b>	Wales Audit Office

**Joint Audit Committee**

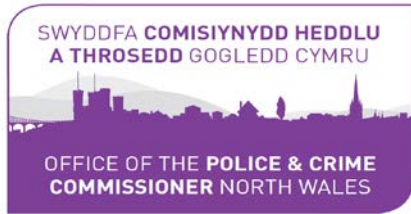
**Meeting Date: 30 July 2020**

<b>Title:</b>	Strategic Planning Unit (HMIC)
<b>Author:</b>	T/CI Andrew Griffiths
<b>Purpose of the report:</b>	Information Update
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<p><b><u>HMICFRS</u></b></p> <p>HMIC activity within forces remains suspended and therefore there is no change in our recommendations and AFI status. Work in NWP has continued to progress the recommendations but as HMIC cannot check for any progress made the numbers remain the same. This is the same picture nationally. However, NWP are satisfied with the internal progress and we have nothing to report by exception. When HMIC return to their inspection activity we are confident that they will sign off some of the recommendations and AFIs. In the areas where we are not requesting sign off we are satisfied with the progress being made.</p> <p><b><u>Strategic Planning</u></b></p> <p>The force approach to organisational planning for the financial year April 2021 to March 2022 has commenced. It will:</p> <ol style="list-style-type: none"> <li>a. Dovetail into recovery plans post COVID-19.</li> <li>b. Provide the foundation for our organisational ambition to deliver the vision and an incentive to continually improve as we strive towards this-</li> <li>c. Ensure the organisation identifies efficiencies.</li> <li>d. Identify options for savings to allow reallocation of resources to meet gaps identified through the FMS.</li> <li>e. Ensure back office support required to deliver operational excellence is considered.</li> </ol> <p>It will also propose a list of investment options covering Operation Uplift, unfunded projects and areas where a compelling business case can be developed. These options can be taken forward for budget setting.</p> <p>This process will be led by the Deputy Chief Constable and require collaborative working across all functional areas.</p> <p>The key pillars of the planning process will be:</p> <ul style="list-style-type: none"> <li>• Business Cases will be commissioned by Chief Officers where the investment is substantial.</li> </ul>

	<ul style="list-style-type: none"> <li>All Service areas will complete a Business Plan which represents their understanding of current demand and future demand. It will describe their ability to meet these challenges and risk assess any gap between current capacity and capability, and future demand.</li> </ul> <p>There is an expectation that everyone will identify efficiency savings and engage fully with the savings option.</p> <p>To allow us to invest in the necessary back office support to deliver the vision, a flexible approach to the use of Uplift resources needs to be considered. We are assuming that financial headroom to invest in police staff posts will be limited.</p>
<b>Recommendations:</b>	N/A
<b>Risk register impact:</b>	N/A
<b>Assurance implications:</b>	N/A
<b>Equality Impact:</b>	N/A
<b>Information exempt from disclosure:</b>	

**Joint Audit Committee**  
**Meeting Date: 30<sup>th</sup> July 2020**

<b>Title:</b>	Internal Control Report
<b>Author:</b>	Anne Matthews, Finance & Budget Officer Seb Phillips, Director of Finance & Resources
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with an overview of Internal Control activity within the Force
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<p>The report summarises key Internal control activity regarding:</p> <ul style="list-style-type: none"> <li>• Recommendation status from previous TIAA Audits</li> <li>• Management response regarding Client Briefing Notes (CBNs)</li> <li>• TIAA audits issued in the period including a brief summary of the TIAA Follow Up Review findings.</li> <li>• A brief summary of the The Head of Internal Audit’s opinion as given in the TIAA annual report:</li> </ul> <p><i>The Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives for the areas reviewed during the year.</i></p> <ul style="list-style-type: none"> <li>• CBNs issued in the period</li> <li>• The current status and key considerations regarding the 2020-21 Internal Audit Plan and delays experienced against the programme to date.</li> </ul>
<b>Recommendations:</b>	None
<b>Risk Register Impact:</b>	<p>TIAA control findings and Client Briefing Notes have been considered for reflection on the Force Risk Register.</p> <p>3 CBNs over this reporting period have prompted revisions on either the Force Risk Register or in the F&amp;R Risk Assurance Mapping. The relevant CBNs are detailed in the report.</p> <p>Delays to the 2020-21 Assurance programme will continue to be monitored but are yet to be formally recognised as a risk formally within the framework.</p>
<b>Assurance Implications:</b>	This report is directly relevant to Internal Control Activity providing Assurance in North Wales Police.
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	N/A – All content in Open Session



**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## JOINT AUDIT COMMITTEE

### INTERNAL CONTROL REPORT - 30<sup>th</sup> JULY 2020

#### REPORT OF THE NORTH WALES POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE

##### 1. INTRODUCTION

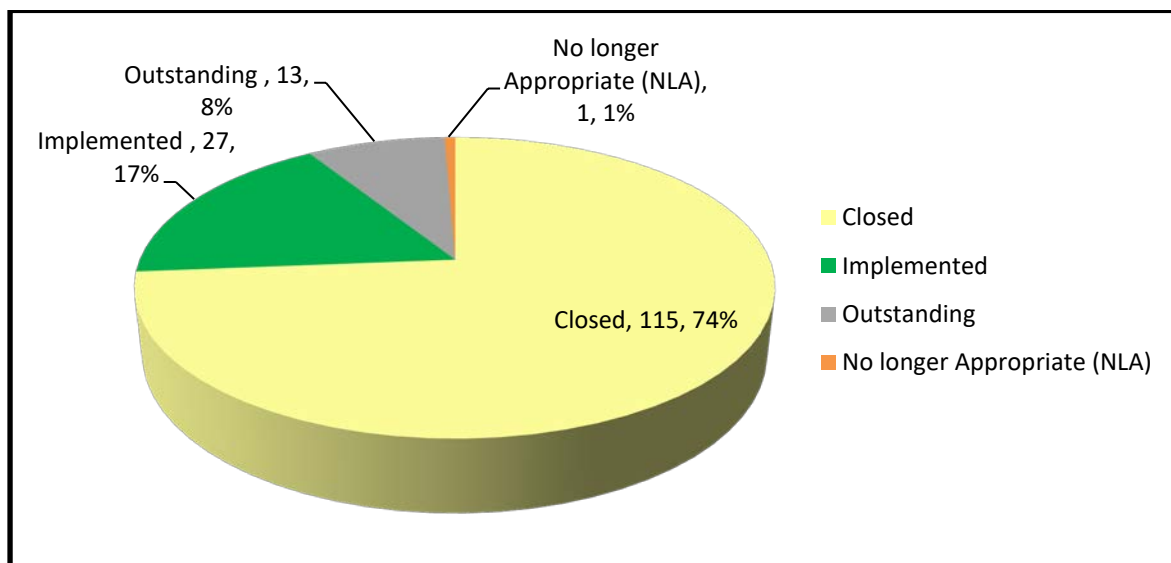
The purpose of this report is to provide an update on the Internal Control Activity undertaken since the last Joint Audit Committee and is based on information received and recorded by 02<sup>nd</sup> July 2020. It is anticipated that further activity may have been undertaken by the JAC July meeting itself, which will be verbally updated on exception at the meeting.

The report should be read in conjunction with the TIAA papers submitted to JAC for the meeting and specifically summarises key Internal control activity regarding:

- Recommendation status from previous TIAA Audits
- Management response regarding Client Briefing Notes (CBNs)
- TIAA audits issued in the period including a brief summary of the TIAA follow up review and TIAA Annual Report
- CBNs issued in the period
- The current status and key considerations regarding the 2020-21 Internal Audit Plan

##### 2. RECOMMENDATION STATUS FROM TIAA AUDITS

The position on 2019-20 Internal Audit recommendations as at 02<sup>nd</sup> July 2020 is outlined below:



The analysis of the 27 completed recommendations is outlined below:

<b>Status Summary - Implemented</b>	<b>Category</b>	<b>No</b>
Implemented on or before original due date	Cat 1	18
Implemented on or before 1st revised due date	Cat 2	2
Implemented on or before 2nd revised due date	Cat 3	0
Implemented on or before 3rd revised due date	Cat 4	1
Implemented on or before 4th revised due date	Cat 5	0
Implemented on or before 5th revised due date	Cat 6	2
Implemented after original and/or revised due date	Cat 7	4
		<b>27</b>

Of the recommendations implemented since the last report, it is of note that four of these related to long standing 2018 audit recommendations as listed below:

<b>ID</b>	<b>Service</b>	<b>Job</b>	<b>Year</b>	<b>Risk Area</b>
227788	Internal Audit	Governance – Health and Safety Management PO No FN27625	2018	Compliance Risk
237154	ICT Audit	GDPR Compliance Audit PO No FN27625	2018	Directed Risk
237158	Internal Audit	Contract Management PO No FN27625	2018	Compliance Risk
236649	ICT Audit	ICT Security – Internet/Email/Social Media PO No FN27625	2018	Compliance Risk

An analysis of the 13 outstanding recommendations as at 02<sup>nd</sup> July 2020 is also outlined below:

<b>Status Summary - Outstanding Recommendations</b>	<b>Category</b>	<b>No</b>
No of Recommendations - still on original due date	Cat 1	7
No of Recommendations - 1st revised due date	Cat 2	4
No of Recommendations - 2nd revised due date	Cat 3	1
No of Recommendations - 3rd revised due date	Cat 4	1
No of Recommendations - 4th revised due date	Cat 5	0
No of Recommendations - 5th revised due date	Cat 6	0
No of Recommendations - Overdue	Cat 7	0
		<b>13</b>

The latest position and update regarding the 13 outstanding recommendations is included at Appendix 1.0.

### **3. MANAGEMENT RESPONSE REGARDING CLIENT BRIEFING NOTES (CBNs)**




CBNs are now being reported and monitored via the F&R SMT with the Joint Governance Board providing further oversight.

CBNs dating back to Sept19 have been compiled on a single schedule and are shared with JAC members periodically.

The current status on CBNs compiled since Sept19 is shown below:

	CBNs	Action Required	Open Actions
CBNs - 1909 to 2006	19	10	0

It is worth highlighting that 3 CBNs over this period have prompted revisions on either the Force Risk Register or in the F&R Risk Assurance Mapping. The relevant CBNs are listed below. Monitoring of these risks will now take place via the Force Risk Management process (and so any actions associated with the CBNs have been closed accordingly):

Date Issued	CBN Ref	Subject	Status
13/05/2020	CBN-20006	All - Cyber threats using the COVID-19 Pandemic	
16/01/2020	CBN-20001	All - Microsoft Windows 7 - End of Support	
04/11/2019	CBN-19028	All - Department digital, culture, media and sport - Cyber security breaches survey	

At the time of issuing this report a response to a TIAA briefing outlining a number of considerations for the National Audit Office was being prepared for JAC members.

#### 4. TIAA AUDITS & REPORTS ISSUED IN THE PERIOD

TIAA Audit reports and recommendations issued since the March 20 JAC were as follows:

Review	Evaluation	Final issued	1	2	3	OE
Collaborative Review – Creditors	Reasonable (NWP only)	11/03/2020	0	1	2	1*
Follow up	N/A	08/04/2020	N/A	N/A	N/A	N/A
ICT Change Management	Substantial	14/05/2020	0	0	2	0
Risk Management – Board Assurance	Reasonable	28/05/2020	0	4	3	2
Governance – Corporate Communications	Reasonable	16/06/2020	0	2	0	0
ICT Cyber Security	Reasonable	22/06/2020	0	2	0	1



The TIAA audit reports have been shared in full with JAC members.

Whilst the full reports have been shared with JAC members a brief summary of the Follow Up Audit and Annual Report for FY2019-20 are provided below:

**FOLLOW UP REVIEW:**

The follow up review key findings from the report finalised in April 20 are summarised below:

Evaluation	Number of Recommendations
Implemented	18
Outstanding	8
Considered but not Implemented	-
Not Implemented	2

The TIAA report commented as follows:

- The Force has made good progress in addressing the recommendations raised. North Wales Police have implemented 18 out of 28 (64%) recommendations reviewed.
- The two recommendations not implemented are no longer applicable as alternative arrangements are in place as follows:
  - Expenses and Additional Payments - The recommendation to retain individuals’ car insurance documents securely is no longer applicable as the Force no longer retain insurance documents and now rely on individual declarations on the expense claim form supported by ad hoc checks.
  - Contract Management – the recommendation is no longer applicable as monthly meetings take place which is over and above the quarterly meetings recommended.
- The seven recommendations outstanding are due for implementation by the end of March 2020.

**TIAA ANNUAL REPORT 2019-20:**



In addition TIAA Head of Internal Audit has also issued their Annual Report for 2019-20 on 26/06/20 with the satisfactory Annual opinion below being included in the report:

*TIAA is satisfied that, that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of the Police and Crime Commissioner’s and the Chief Constable’s risk management, control and governance processes. In my opinion, The Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives for the areas reviewed during the year.*

The full report has been included as Appendix 2.0 to this document.

**5. CBNS ISSUED IN THE PERIOD**

TIAA CBNs issued since the March 20 JAC meeting with categorisation for action were as follows:

Date Issued	CBN Ref	Subject	Status
25/06/2020	CBN-20009	All - Guide for Audit Committees on financial reporting and management during Covid-19	
13/05/2020	CBN-20006	All - Cyber threats using the COVID-19 Pandemic	



All CBNs have been allocated for action as required although as alluded to above, the management response in relation to CBN-2009 was being progressed at the time of issuing this report.

## **6. UPDATE REGARDING FY2020-21 AUDIT PLAN**

Shortly after the last JAC meeting in March 2020, TIAA issued the final version of the FY2020-21 Audit Strategy and Plan.

The Audit Plan for 2020/21 was informed by an audit risk assessment to ensure that planned coverage for the year focussed on the key audit risks, the agreed collaboration reviews and the coverage necessary to enable a robust annual Head of Internal Audit Opinion. The full Audit Strategy and Annual Plan has been shared with JAC members.

However, the Audit programme for FY20-21 has been delayed to date as a result of Covid-19 due to disruption caused to both North Wales Police and TIAA. Discussions around the impact on the FY20-21 programme took place with TIAA on 03/07/2020. Discussions focussed on:

- The audits required for TIAA to deliver a full opinion (TIAA advised that Governance, Risk Management and Operational Controls would be a definite requirement of the programme).
- The methods to be adopted by both parties to deliver the programme effectively.
- The prioritisation of the audit programme over the remainder of the year.
- The imminent works about to commence.

Actions agreed as a result were:

- TIAA to advise on essential audits and minimum days to deliver an unqualified audit opinion.
- DFR to undertake a risk based re-prioritisation the FY2020-21 Internal Audit programme to ensure that critical aspects of the audit are suitably prioritised.
- DFR to clarify regarding any collaborative audit issues with the other Welsh forces.

The FY20-21 audit plan - prior to the actions above being reflected - is included in the Internal Audit SICA 2020-21 report from TIAA included in the JAC papers.

An update regarding any proposed revisions to the full year Internal audit programme will be brought to the next JAC meeting.

## **7. OTHER ISSUES of NOTE**

This report has been produced to provide assurance to JAC members in relation to Internal Control activity. Whilst the emphasis has been placed on the 'management response' aspect of this activity, the authors are aware of duplication with the reports provided by TIAA.

Suggestions from JAC members with regard to improving the appropriateness of the format and relevance of the content would be welcomed by the authors.

## Appendix 1.0 – Latest Management Response relating to Outstanding Recommendations

NB: Some of the updates are post the 02/07/20 reporting date with the later dates reflecting when they were actually reflected on the Internal Audit log.

Rec'n	Audit	Recommendation	Orig Due Date	Revised Due Date	Last Update
236368	ICT Network Security	ICT management to ensure the implementation of a protective monitoring solution.	31/12/2019	30/09/2020	07/07/20: First phase of the implementation (NMC Cloud Monitoring) is now Live. Second Phase which is Protective Monitoring of the NWP Perimeter infrastructure and key infrastructure connecting NWP to NEP is delayed due to COVID restrictions as it requires on-site installation. Current estimate is a mid-August date for installation and September for implementation.
236367	ICT Network Security	ICT management to ensure that the out of support servers and machines are decommissioned and/or replaced and services migrated as soon as practical.	30/09/2019	30/09/2020	07/07/20: The reliance on the one remaining Server has diminished significantly following the migration of our email system from Exchange 2010 to Exchange 2016, therefore the implementation of a solution to replace the functionality provided by this server will prove to be a lot more straightforward.  The alternative solution is now being explored as part of the NEP technical work stream, a replacement solution is anticipated in 8 weeks after which the 1 remaining server will be decommissioned.
243897	ICT Change Management	The Operational Framework Document be reviewed and updated as planned.	30/06/2020	31/07/2020	07/07/20: The document has been updated and is awaiting internal sign off from CGI with a completion date of 31/7/2020.
243898	ICT Change Management	The NWP / CGI Change Management Process (v1.1) be updated as planned.	30/06/2020	31/07/2020	07/07/20: The document has been updated and is awaiting internal sign off from CGI with a completion date of 31/7/2020.
237156	GDPR	Review process be introduced to minimise the risks around sensitive data being stored to network drives.	31/03/2020	31/08/2021	08/07/20: Organisational migration of all data onto O365 Teams/SharePoint is now expected by early 2022 on conclusion of the NEP Programme in North Wales Police. Transition will be delivered under a multi-phased process, the first phase would involve each individual user post migration to NEP to transfer personal files from existing network based storage onto their personal Microsoft OneDrive Cloud storage account. This will commence in late 2020. Users will be encouraged to sanitise this data when possible and not to duplicate information held elsewhere.  The second phase will commence in late 2020 to appoint and train localised Information Asset Owners and localised SharePoint and Teams Administrators. These individuals will be provided advice and guidance to review and migrate data internally over into pre-built Teams and SharePoint environments, this activity will be completed on a divisional and departmental level once force wide transition commences. Departments will be given advice and support regarding effective records management, access controls and data retention.  De-commissioning of network infrastructure can only commence when all departments have migrated which will be at conclusion of the project.
244671	Cyber Security	Intrusion detection and intrusion protection functionality be implemented.	31/07/2021	N/A	22/06/20: In line with the proposed NEP programme of works managed by NWP PMO,

					where its anticipated the following Milestones are scheduled to be achieved –  Tech Pilot, end of July 2020. Business Pilot, end of August 2020. Full Rollout, over the next 12 months, completion date expected to be 31/07/2021.
244672	Cyber Security	The Microsoft Enterprise Mobility and Security suite available to North Wales Police through the National Enabling Programme be fully leveraged to improve cyber security.	31/07/2021	N/A	22/06/20: Update as per management comments:  In line with the proposed NEP programme of works managed by NWP PMO, where its anticipated the following Milestones are scheduled to be achieved –  Tech Pilot, end of July 2020. Business Pilot, end of August 2020. Full Rollout, over the next 12 months, completion date expected to be 31/07/2021.
242413	Payroll	To ensure consistency among all employees, a practicable solution be determined for the consistent claiming of overtime.	31/03/2020	31/07/2020	18/06/20: The definition of the mileage that officers can claimed was changed nationally recently. At the moment we are currently resolving a small number of queries before circulating details force wide. The overtime clarity email will be incorporated with the circulation of the mileage changes to minimize the number of emails sent force wide..
242655	Single Online Home	A detailed benefits analysis be completed by each force once Single Online Home has been fully implemented to determine the benefits arising from the use of Single Online Home.	30/10/2020	N/A	08/07/20: A provisional analysis has been undertaken by the National team. Delays to the programme are delaying the benefit analysis with an expected completion in November 2020.
241633	HR Management	Support be provided to the Wellbeing Team in relation to establishing the priority of the Healthy Mind foundation course force-wide and by making available further resources where required.	30/11/2020	N/A	20/05/20: The wellbeing work remains a priority with this being one of a number of work streams. Covid-19 has caused some delay but target due date remains unchanged.
244115	Risk Management	A plan setting out the timetable completion of risk mapping be prepared identifying how this will be supported prior to the new Risk and Business Continuity Lead being appointed	31/05/2021	N/A	29/05/20: A timetable for roll out has been impacted by Covid-19 but it has been prepared and issued.
244459	Governance	An Engagement Annual Report be produced as planned.	30/09/2021	N/A	06/07/20: Recommendation remains on track for completion to original date.
244460	Governance	Arrangements be made to formally report progress against the Corporate Communications Plan, Corporate Internal Communication Strategy and Internal Communications Plan Intention to the Force's Strategic Leadership Team and Strategic Management Board on a regular basis."	13/08/2020	N/A	06/07/20: Communications is an established standing agenda item on the Strategic Leadership Team meetings and the plans will now be reported there on a quarterly basis. Start date to be agreed with the Chief Constable.  The plans will also be included as a standing item for review at each Strategic Management Board from the next meeting on August 13, 2020. .

# Police and Crime Commissioner for North Wales and Chief Constable North Wales Police

Internal Audit Annual Report

**2019/20**

June 2020

# Internal Audit Annual Report

## Introduction

This is the 2019/20 Annual Report by TIAA on the internal control environment at North Wales Police. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control.

## Limitations on our opinion arising from Covid-19

The delivery of the internal audit work for 2019/20 was largely completed in early March 2020 with two reviews completed remotely after the year end and, as such, was not impacted by the global Covid-19 pandemic which has taken hold during this accounting period.

The consequences of this unprecedented event are expected to continue into the new financial year and will continue to pose significant risks to all organisations. The impact of ongoing events on North Wales Police's control systems, financial sustainability or operational performance have not been assessed and our opinion takes no account of this. This report is designed to assist the Board in making its annual governance statement.

### HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

**TIAA is satisfied that, that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of the Police and Crime Commissioner's and the Chief Constable's risk management, control and governance processes. In my opinion, The Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives for the areas reviewed during the year.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by The Office of the Police and Crime Commissioner for North Wales and the Chief Constable North**

## Wales Police from its various sources of assurance.

### Internal Audit Planned Coverage and Output

The 2019/20 Annual Audit Plan approved by the Joint Audit Committee was for 190 days of internal audit coverage in the year. During the year there were two changes to the Audit Plan, the review of Collaborative Governance Arrangements which was instead reviewed by Audit Wales on an All Wales basis and the agreement not to undertake the Contract Management audit having undertaken the same review as part of the collaborative plan. These changes were approved by the Joint Audit Committee and the 14 days have been carried forward to the 2020/21 plan.

All the planned work with the above agreed exceptions has been carried out and the reports have been issued (Annex A).

There were five extra days carried out which was in addition to the work set out in the Annual Audit Plan. This was for an advisory review of Rapid Access Prescribing and was requested by the Commissioner's Office.

### Assurance

TIAA carried out one advisory, one follow up and 18 assurance reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve North Wales Police's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	9	10
Reasonable Assurance	9	10
Limited Assurance	0	2

<b>No Assurance</b>	<b>0</b>	<b>0</b>
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The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2019/20. The numbers in brackets relate to 2018/19 recommendations

Urgent	Important	Routine
<b>0 (3)</b>	<b>21 (38)</b>	<b>18 (20)</b>

### Audit Summary

**Control weaknesses:** There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
<b>Directed</b>	0	2	5
<b>Compliance</b>	0	12	8
<b>Operational</b>	0	7	5
<b>Reputational</b>	0	0	0

**Operational Effectiveness Opportunities:** One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

<b>Operational</b>
<b>7</b>

### Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

### Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	91%*
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	95%
Compliance with Public Sector Internal Audit Standards	100%	100%

Two planned audits were not undertaken (Collaboration and Contract Management) and the days have been carried forward to 2020/21 with the approval of the Joint Audit Committee.

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit

Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards.



### Release of Report

The table below sets out the history of this Annual Report.

<b>Date report issued:</b>	8 <sup>th</sup> June 2020
<b>Date final report issued:</b>	26 <sup>th</sup> June 202

## Annexes

Annex A

### Actual against planned Internal Audit Work 2019/20

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Collaborative Review -Estate Management - Delivery	Assurance	6	6	Reasonable	
Debtors	Assurance	5	5	Substantial	
Payroll	Assurance	6	6	Substantial	
Creditors	Assurance	6	6	Reasonable	
Collaborative Review – Single Online Home	Appraisal	5	5	Reasonable	
<b>Total Collaborative Days</b>		<b>28</b>			
Governance – Community Engagement	Assurance	10	10	Reasonable	
Fixed Assets	Assurance	6	6	Substantial	
HR Management – Wellbeing Strategy	Assurance	7	7	Substantial	
Central Command Unit	Compliance	8	8	Reasonable	
Contract Management (Building/ICT/Services/Operational Project)	Assurance	6			Days carried forward to 2020/21 plan
Collaborations	Assurance	8			Days carried forward to 2020/21 plan
Governance – Corporate Communications	Assurance	10	10	Reasonable	
ICT Change Management	Assurance	8	8	Substantial	
Uncertainty Management – Mitigating Controls	Compliance	4	4	Reasonable	
Budgetary Control	Assurance	6	6	Substantial	
Treasury Management	Assurance	6	6	Substantial	
General Ledger	Assurance	6	6	Substantial	
Risk Management – Board Assurance	Appraisal	8	8	Reasonable	
Capital Programme	Assurance	8	8	Substantial	

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Cyber Security	Assurance	8	8	Reasonable	
Follow-up	Follow up	6	6	n/a	
Contingency	TBC	15	5	n/a	Five days were used for an advisory review of Rapid Access Prescribing at the request of the OPCC
Liaison with Wales Audit Office	Management	2	2	n/a	
Annual Planning	Management	4	4	n/a	
Annual Report	Management	4	4	n/a	
Client Portal	Management			n/a	
Management, Planning & Joint Audit Committee Reporting/Support	Management	22	22	n/a	
	<b>Total Days</b>	<b>190</b>	<b>166</b>		

# Police and Crime Commissioner North Wales and Chief Constable North Wales Police

## Summary Internal Controls Assurance (SICA) Report

**2019/20**

July 2020

## Introduction

1. This summary report provides the Joint Audit Committee (JAC) with an update on the progress of our work for the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police as at 3<sup>rd</sup> July 2020.

## Progress against the 19/20 Annual Plan

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

## Internal Control Framework

3. The key strategic governance, risk management and control matters identified from the six reviews completed since the previous SICA are summarised below. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

### *Key Strategic Governance, Risk Management and Control Matters*

Review	High level
<b>Collaborative Review – Creditors</b>	<p>Control of creditors' arrangements are generally consistent across each of the four Forces with appropriate segregation of duties, approval and checking arrangements in place for each area of activity.</p> <ul style="list-style-type: none"> <li>• Each Force controls and applies segregation of duties and approval for the payment of invoices through their respective procure-to-pay systems but with differences noted in how the purchase order workflows are configured within North Wales Police and Dyfed Powys Police having specific workflows with additional approvals for certain departments and South Wales Police and Gwent Police having standard workflows.</li> <li>• Each Force utilise the Welsh Procurement Card through Barclaycard, however, the arrangements for administering the cards differ between Forces with some Forces using the Barclays online portal in full to manage and retain copies of invoices (Gwent Police) and others using the Finance system to retain copies of invoices (North Wales Police).</li> <li>• Recommendations have been across each Force relating to data entry errors which each Force will need to address.</li> <li>• The review identified a potential to collaborate between Forces on a common set of accounts payable key performance indicators for benchmarking purposes.</li> <li>• A new supplier set up form needs to be introduced at North Wales Police.</li> <li>• An IR35 check needs to be undertaken of all new 'service' suppliers on the Gov.uk online portal as part of the new supplier set up and verification at Dyfed Powys Police.</li> <li>• Duplicate payments were identified during the internal audit that need to be included on the existing duplicate payments listing and action taken to recover the overpayments at Gwent</li> </ul>

Review	High level
	Police.
<b>Follow Up</b>	<p>The Force has made good progress in addressing the recommendations raised. North Wales Police have implemented 18 out of 28 (64%) recommendations reviewed.</p> <ul style="list-style-type: none"> <li>• The two recommendations not implemented are no longer applicable as alternative arrangements are in place as follows: <ul style="list-style-type: none"> <li>• Expenses and Additional Payments - The recommendation to retain individuals' car insurance documents securely is no longer applicable as the Force no longer retain insurance documents and now rely on individual declarations on the expense claim form supported by ad hoc checks.</li> <li>• Contract Management – the recommendation is no longer applicable as monthly meetings take place which is over and above the quarterly meetings recommended.</li> </ul> </li> <li>• The seven recommendations outstanding are due for implementation by the end of March 2020</li> </ul>
<b>ICT Change Management</b>	<p>North Wales Police and CGI, who provide a consolidated data management service to the Force have a documented change management process in place which sets out the arrangements to ensure that changes to IT systems and services are defined, risk assessed, authorised, tested, implemented and fully documented.</p> <ul style="list-style-type: none"> <li>• The CGI contract has just been extended until April 2022 and the Operational Framework Document and Change Management Process are being updated.</li> </ul>
<b>Risk Management – Board Assurance</b>	<p>North Wales Police has a substantive risk management framework on paper but at the time of the review was undergoing a refresh of its approach to Risk Management introducing a new framework. The new Risk Management and Assurance Mapping Framework clearly sets out the Office of the Police and Crime Commissioner and North Wales Police's arrangements for managing risk and obtaining assurance that the controls are in place and effective. A pilot exercise has been successfully completed and will be rolled out across all business areas and service departments.</p> <ul style="list-style-type: none"> <li>• The Policy Board has been reconstituted as an Assurance Board to provide a single point for managing assurance matters. This has not been incorporated in the new Framework.</li> <li>• It was noted that being at pilot stage, assurance maps have not been reviewed or updated since they were prepared, despite actions having been completed.</li> <li>• The Risk and Business Continuity Lead role has been vacant since December 2019 and a replacement is currently being recruited. Despite approval to roll out the process there are no definitive plans setting out how and when this will be done.</li> </ul>

Review	High level
<p><b>Governance – Corporate Communications</b></p>	<p>Comprehensive arrangements were found to be in place to ensure that Internal and External Communications strategies for the Force and the Police and Crime Commissioner are effective.</p> <ul style="list-style-type: none"> <li>• Arrangements need to be put in place to ensure the achievement of the Police and Crime Commissioner’s Communication and Engagement Strategy and the Force’s Corporate Communications Plan, Corporate Internal Communication Strategy and Internal Communications Plan are formally reviewed and reported on a regular basis.</li> <li>• Discussion with staff from both the OPCC and Corporate Communications noted that the main form of measurement of the effectiveness of communications is that of analytics through social media and that, whilst this is valuable, there is a recognition that there are limitations in the types of data and the reliability of the tools available. However, all staff consulted with during the review noted that attempts are made to analyse the effectiveness of communications both formally and informally and both as a means to assess the wider communication strategies and to increase the reach on individual campaigns.</li> </ul>
<p><b>ICT Cyber Security</b></p>	<p>North Wales Police has reasonable arrangements in place for cyber security that includes an appropriate governance framework.</p> <ul style="list-style-type: none"> <li>• There are currently no intrusion detection (IDS) or intrusion prevention (IPS) solutions in place.</li> <li>• North Wales Police is participating in the National Enabling Programme (NEP) which includes secure device configuration based on the Microsoft Windows 10 operating system.</li> <li>• North Wales Police will have access to the Microsoft Enterprise Mobility and Security suite through the NEP which can be leveraged to improve cyber security.</li> <li>• North Wales Police will be joining the National Monitoring Programme which will provide a real-time security information and event management (SIEM) solution.</li> </ul>

### Emerging Governance, Risk and Internal Control Related Issues

4. The changes imposed on the organisation as a result of Covid-19 are likely to impact the governance, risk and internal control framework of the organisation. TIAA has produced a series of Client Briefing Notes highlighting potential issues arising and a suggested approach to gaining assurance from an audit perspective in addition to a number of Fraud Alerts to support our clients during this period.

## Audits Completed since the last report to Committee

5. The table below sets out details of audits finalised since the previous meeting of the Joint Audit Committee in March 2020.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Collaborative Review - Creditors	Reasonable (NWP only)	12/12/2019	02/03/2020	11/03/2020	0	1	2	1*
Follow up	N/A	25/03/2020	01/04/2020	08/04/2020	N/A	N/A	N/A	N/A
ICT Change Management	Substantial	21/04/2020	07/05/2020	14/05/2020	0	0	2	0
Risk Management – Board Assurance	Reasonable	06/05/2020	21/05/2020	28/05/2020	0	4	3	2
Governance – Corporate Communications	Reasonable	09/06/2020	11/06/2020	16/06/2020	0	2	0	0
ICT Cyber Security	Reasonable	28/05/2020	19/06/2020	22/06/2020	0	2	0	1

\*The OEM was a generic point raised for all four Forces.

## Changes to the Annual Plan 19/20

6. The plan has been completed subject to changes agreed previously by the Joint Audit Committee.

## Changes to the Internal Audit Strategy

7. No further changes since the previous report. All agreed work has now been completed.

## Frauds/Irregularities

8. We have not been advised of any frauds or irregularities in the period since the last summary report was issued. A summary of recent briefings on developments on which TIAA have issued client briefing notes in risk or governance is given at Appendix B.

## Liaison

9. **Liaison with external audit:** We maintain ongoing communication with Audit Wales and have attended their Police Practitioner's Group meetings, most recently in June 2020.



## **Progress actioning priority 1 recommendations**

10. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA Report.

## **Other Matters**

11. We have issued the following briefing notes and fraud digests since the last Joint Audit Committee:

- COVID 19 Counter Fraud Resilience;
- Fraud alerts - Coronavirus Phishing Scam
- All Sectors - False Invoice Fraud - Increased Exposure
- TIAA Fraud Digest 20202.

## **Responsibility/Disclaimer**

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

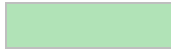
## Progress against the Annual Plan for 2019/20

System	Planned Quarter	Days	Current Status	Comments
Central Command Unit	1	8	Final report issued 16 <sup>th</sup> May 2019	Presented to July 2019 JAC
Governance – Community Engagement	1	10	Final report issued 17 <sup>th</sup> July 2019.	Presented to September 2019 JAC
Fixed Assets	1	6	Final report issued 29 <sup>th</sup> July 2019	Presented to September 2019 JAC
Treasury Management	3	6	Final report issued 20 <sup>th</sup> September 2019	Presented to November 2019 JAC
Uncertainty Management – Mitigating Controls	3	4	Final report issued 30 <sup>th</sup> September 2019	Presented to November 2019 JAC
Budgetary Control	3	6	Final report issued 8 <sup>th</sup> October 2019	Presented to November 2019 JAC
General Ledger	3	6	Final report issued 13 <sup>th</sup> December 2019	Presented to March 2020 JAC
HR Management – Wellbeing Strategy	1	7	Final report issued 2 <sup>nd</sup> January 2020	Presented to March 2020 JAC
Capital Programme	4	8	Final report issued 6 <sup>th</sup> February 2020	Presented to March 2020 JAC
Governance – Corporate Communications	3 4	10	Final report issued 16 <sup>th</sup> June 2020	Presented to the July 2020 JAC
Contract Management (Building / ICT / Services / Operational Project)	2	6	Audit postponed – 6 days to be transferred to contingency	Discussed with Management who have requested that the days are transferred to contingency due to the number of similar audits undertaken in the past year. Contingency carried forward to 2020/21 at JAC's request. Included in 2020/21 plan.
Collaborations	2	8	Audit postponed – 8 days to be transferred to contingency	This has been delayed at Management's request because of the WAO collaborative audit. Contingency carried forward to 2020/21 at JAC's request. Included in 2020/21 plan
ICT Change Management	3 4	8	Final report issued 14 <sup>th</sup> May 2020	Presented to the July 2020 JAC
Risk Management – Board Assurance	4	8	Final report issued 28 <sup>th</sup> May 2020	Presented to the July 2020 JAC

System	Planned Quarter	Days	Current Status	Comments
Follow-up	4	6	Final report issued 8 <sup>th</sup> April 2020	Presented to the July 2020 JAC
Cyber Security	4	8	Final report issued 20 <sup>th</sup> June 2020	
Contingency	TBC	13	5 days – Rapid Access Prescribing	<b>A further 14 days to be added from audits postponed at client's request. Current balance is therefore 22 days.</b>
Liaison with Wales Audit Office	1-4	2		
Annual Planning	1	4	Final Collaborative Plan issued	
Annual Report	4	4	Final report issued June 2020	Presented to the July 2020 JAC
Management, Planning & Joint Audit Committee Reporting/Support	1-4	22		
<b>Collaborative Audits</b>				
Estate Management - Delivery Lead Force – North Wales	2	6	Final report issued 16 <sup>th</sup> January 2020	Presented to March 2020 JAC
Debtors Lead Force – Dyfed Powys	3	5	Final report issued to Lead Force on 18 <sup>th</sup> December 2019	Presented to March 2020 JAC
Payroll Lead Force – South Wales	3	6	Final report issued to Lead Force on 28 <sup>th</sup> January 2020	Presented to March 2020 JAC
Collaborative Review – Single Online Home Lead Force – North Wales	3	5	Final report issued 13 <sup>th</sup> February 2020	Presented to March 2020 JAC
Creditors Lead Force – Gwent Police	3	6	Final report issued to Lead Force on 11 <sup>th</sup> March 2020	Presented to the July 2020 JAC

**KEY:**




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

 = Final report issued

## Briefings on Developments in Governance, Risk and Control

### Summary of Recent Client Briefing Notes (CBNs)

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control and Counter Fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs issued since the last Joint Audit Committee which may be of relevance to North Wales Police is given below. Copies of any CBNs are available on request from your local TIAA team

Date Issued	CBN Ref	Subject	Status	TIAA Comments
27 <sup>th</sup> March 2020	CBN - 20002	All – COVID 19 Counter Fraud Resilience		<p><b>No Action Required – For Information</b></p> <p>Audit Committees and Boards/Governing Bodies are asked to receive assurance on the resilience of TIAA's Counter Fraud Service.</p> <p>To discuss the service provision and our resilience measures, please contact:</p> <p>David Foley – Regional Managing Director – 07786856973 or Melanie Alflatt – Director of Fraud &amp; Security - 07899981415</p>
February 2020	Fraud Alert	Coronavirus Phishing Scam		<p><b>Action Required</b></p> <p>This alert provides information and advice to staff about fraud and economic crime, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to Action Fraud by calling 0300 123 2040, or visiting the Action Fraud website. Additionally, you should notify your usual counter fraud contact.</p>
March 2020	Fraud Alert	False Invoice Fraud - Increased Exposure		<p><b>Action Required</b></p> <p>This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist.</p>

# Police and Crime Commissioner North Wales and Chief Constable North Wales Police

Summary Internal Controls Assurance (SICA) Report

**2020/21**

July 2020

# Summary Internal Controls Assurance

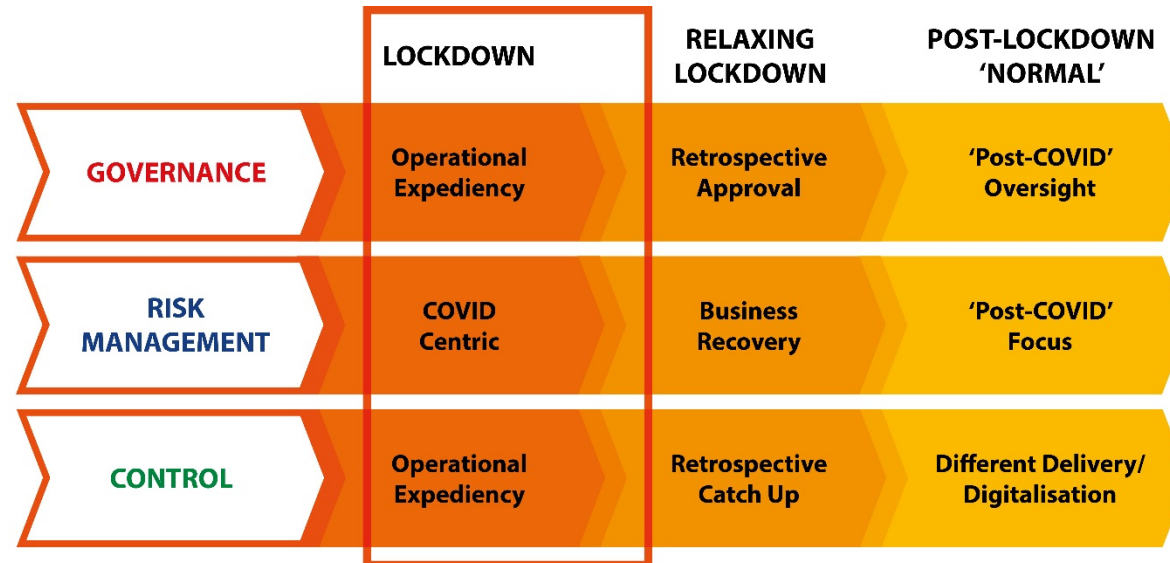
## Introduction

1. This summary controls assurance report provides the Joint Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Police and Crime Commissioner North Wales and Chief Constable North Wales Police as at 3<sup>rd</sup> July 2020. The period covered by this summary controls assurance report was significantly impacted by the COVID 19 pandemic.

## Emerging Governance, Risk and Internal Control Related Issues

2. COVID 19 is the biggest ‘Black Swan’ event to impact both strategically and operationally upon the modern day Governance, Risk and Internal Control arrangements. There will be a number of phases in relation to the move through the pandemic and each phase has different implications for the Governance, Risk and Internal Control arrangements. Based upon the information garnered from our work at number of clients some of the potential strategic impacts for 2020/21 are summarised below. A key consideration is that there is unlikely to be a precise timeline when the organisation moves from one phase to the next and also there will be a consequential timelag as the organisation adapts and adopts new ways of operating. The box in the table below signifies the approximate stages which occurred during the period covered by this SICA.

*Impact on COVID 19 on strategic focus during business interruption*



3. There are a range of operational matters arising from the COVID 19 pandemic which impact upon the Governance, Risk and Internal Control arrangements and examples of such have been summarised in Appendix A. During the COVID 19 period it would be prudent for the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police to compare the policies, procedures and internal control processes in effect during the pandemic against the policies, procedures and internal control processes in effect prior to the onset of the pandemic.. The matters identified should be risk assessed so as to gain awareness about where the undetected vulnerabilities that may exist so that an informed decision can be made around acceptance of such risks.

## Internal Control Framework


### Audits completed since the last SICA report to the Joint Audit Committee

4. No 2020/21 audits have been finalised since the previous meeting of the Joint Audit Committee. The completion of the 2019/20 work has been reported separately.

### Progress in actioning priority 1 & 2 recommendations

5. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. The table below summarises the extent to which confirmation has been received that management actions have been taken that the risk exposure identified has been effectively mitigated. More information is provided in Appendix D.

*Mitigating risk exposures identified by internal audit reviews*

Review	Date	Priority 1
N/A		

### Root Cause Indicators

6. **No audit work has yet been finalised for Quarter 1 so no analysis can be provided for this quarter.** The data below shows what we will be reporting for information only at this stage.

The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment for the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel. A downward arrow signifies a positive reduction in risk in relation to the specific RCI. No audit work has been completed in Quarter 1 in the new reporting format so no analysis can be provided for this quarter.

*RCI – Direction of Travel Assessment*

Root Cause Indicator	Qtr 1 (2020/21)	Qtr 2 (2020/21)	Qtr 3 (2020/21)	Qtr 4 (2020/21)	Medium term Direction of Travel	Audit Observation
<b>Directed</b>						
Governance Framework	N/A					
Risk Mitigation	-					
Control Compliance	-					
<b>Delivery</b>						
Performance Monitoring	-					
Financial Constraint	-					
Resilience	-					



## Progress against the 2020/21 Annual Plan

7. **COVID 19:** The progress against the planned work for the quarter has been disrupted by the COVID pandemic. In mid-March, when the potential scale and impact of COVID 19 was becoming evident it was agreed with North Wales Police that the delivery of the internal audit service would be carried out remotely thereby minimising the need to physically access North Wales Police's offices/premises and to hold face to face meetings. We agreed the remote completion of the 2019/20 year end work as a priority and are now scheduling the work for 2020/21 which will also be undertake remotely until the end of the lockdown. We will ensure that there are ongoing discussions with Senior Management to ensure to ensure that we are working in partnership to deliver the work in the Internal Audit Plan.

A meeting took place between the Director of Finance and Resources, the Head of Finance and the Finance & Budget Officer on 3<sup>rd</sup> July 2020 to discuss the content and delivery of the plan recognising the impact of Covid-19. A separate paper is to be presented by management on a revised plan and timetable to the next meeting.

8. Our progress against the Annual Plan for 2020/21 is set out in Appendix C.

## Changes to the Annual Plan 2020/21

9. We will keep the Annual Plan under review and where appropriate will highlight areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2020/21.

## Frauds/Irregularities

10. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

## Other Matters

11. We have issued a number of briefing notes and fraud digests, shown in Appendix E, since the previous SICA report. The actions taken by the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police are summarised below:

*Action taken by the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police in response to Alerts issued by TIAA*

### Briefing Note

Tips for Virtual Meetings and Video Conferencing during the COVID-19 Pandemic

Cyber Threats using the COVID-19 Pandemic

Guide for Audit Committees on Financial Reporting and Management during Covid-19

### Fraud Alert

False Invoice Fraud – Increased Exposure

Mandate Fraud – Increased Exposure

Payroll Mandate Fraud – Increased Exposure

### Fraud Alert

COVID-19 Related Scams

Office 365 Phishing Scam

Ghost Broking

13. An Audit Committee Chairs Newsletter was issued which provided guidance on potential COVID 19 related matters for Audit Committees.

**Responsibility/Disclaimer**

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

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## Covid 19 – Governance, Risk and Control considerations during ‘lockdown’ phase

Area	Possible assurance from internal audit
<p><b>Governance:</b> The speed of the need to respond to COVID 19 has significantly impacted on the strategic governance infrastructure:</p> <ul style="list-style-type: none"> <li>• Urgent decisions taken for urgent operational reasons which would normally have gone through Board review and approval</li> <li>• Extension and rollover of procurement contracts</li> <li>• Disruption to management information received by the Board</li> <li>• Operational necessity for management dispensation to scheme of delegation and financial regulations</li> <li>• Move to remote working for reactive operational expediency reasons, rather than as part of a pre-planned strategy</li> </ul>	<p><b>Covid-19 Financial Governance:</b> A review of financial governance and decision making following the business interruption caused by Covid-19, including assessing the accountability for additional spend on Covid-19 related activity.</p>
<p><b>Risk Management:</b> The markers which differentiate COVID 19 pandemic from most business resilience/recovery plans are:</p> <ul style="list-style-type: none"> <li>• Speed of major disruption to business as usual did not permit normal level of preparation</li> <li>• International as well UK-wide, not local</li> <li>• Level of government intervention</li> <li>• Duration and severity</li> <li>• Move to medium term remote working arrangements by staff and suppliers</li> <li>• Consequential impact upon all the previous strategic risks</li> </ul>	<p><b>Business as Usual Resumption Arrangements:</b> Targeted post-event risk mitigation assessment to identify any unintentional gaps in the risk management framework</p>
<p><b>Internal Control:</b> COVID 19 has provided the perfect storm both in a positive as well as negative manner. The positive aspects are the expeditious embracing of digital business delivery. It is recognised that a number of government and/or regulatory guidance requirements were issued at short notice and many of these were without the normal consultation and similar. On a negative basis the following need to be recognised:</p> <ul style="list-style-type: none"> <li>• Suppliers and contractors being unable to deliver contracted services</li> <li>• Increased digitalisation introduced at very short notice increases information governance risks</li> <li>• Temporary compromise of effective segregation of duties due to staff absences and/or remote working etc.</li> <li>• Fraudsters seeking to take advantage of COVID disruption</li> <li>• Deferral and/or reprioritisation of services</li> <li>• Sudden and significant change in demand patterns for services</li> </ul>	<p><b>COVID-19 Business Interruption Controls Framework:</b> To review the control environment in relation to policy and process design or temporary re-design, taking into account the heightened risk of fraud and changes to ways of working.</p> <p><b>Accountability for Additional COVID-19 Funding:</b> Revisiting the control framework for when emergency payments shift into longer term services – especially where large sums are invested.</p>

## Executive Summaries and Management Action Plans

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The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Joint Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Joint Audit Committee and therefore is not included in this Appendix.


Review	Evaluation
No 2020/21 audits have been completed in the year to date.	


## Progress against Annual Plan


System	Planned Quarter	Current Status	Comments
<b>Collaborative – Pan Wales</b>			
Risk Management – Mitigating Controls	2	Planned for 6 <sup>th</sup> July 2020	Risks for review to be agreed by four forces – awaiting confirmation.
Vetting of Contractors	2	Planned 13 <sup>th</sup> July 2020	1 <sup>st</sup> draft APM issued
Collaborative Project Review – Office 365 (part of National Enabling programme)	2	Planned 17 <sup>th</sup> August 2020	1 <sup>st</sup> Draft APM issued – date to be reviewed in light of Covid
Collaborative Budgetary Control	3	Planned for 6 <sup>th</sup> November 2020	APM issued
Procurement	3	Planned 23 <sup>rd</sup> November 2020	1 <sup>st</sup> draft APM issued
Strategic Resource Planning	3	Planned 5 <sup>th</sup> October 2020	Planning meeting postponed due to Covid-19
Collaborative Project Review – Early Action Together (Adverse Childhood Experiences ACES Project)	2 4	Planned 11 <sup>th</sup> January 2021	1 <sup>st</sup> Draft APM issued. Rescheduled to Q4 to reflect loss of funding as of 1 <sup>st</sup> April 2020 and consequent changes in arrangements.
Liaison with Audit Wales	1-4		
<b>North Wales Only</b>			
Governance – Collaborations	1		
Counter Fraud – Anti-Fraud Procurement	1		
Organisational Development	1		
Pensions	2		
Expenses and additional payments	2		
Infrastructure Review	2		
Data Assurance	2		

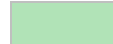
System	Planned Quarter	Current Status	Comments
Contract Management	2		
Eastern Area – Command Unit	2		
Property Subject to Charge	2		
Treasury Management	3		
General Ledger	3		
Payroll	3		
Creditors	3		
ICT Change Management	4		
Collaborative approach	1-4		
Follow-up	4		
Contingency	1-4		
Annual Planning	1		
Annual Report	4		
Management	1-4		

**KEY:**

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued

## Priority 1 Recommendations - Progress update

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
There are no Priority 1 recommendations						

**KEY:**

**Priority Gradings 1**

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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**Risk Mitigation**

	<b>CLEARED</b>	Internal audit work confirms action taken addresses the risk exposure.		<b>ON TARGET</b>	Control issue on which action should be taken at the earliest opportunity.		<b>EXPOSED</b>	Target date not met & risk exposure still extant
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## Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk, Control and Counter Fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and Fraud Alerts issued in the last three months which may be of relevance to North Wales Police is given below. Copies of any CBNs are available on request from your local TIAA team.






### Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
CBN - 20004	Tips for Virtual Meetings and Video Conferencing during the COVID-19 Pandemic		<b>No Action Required</b> This briefing note has been provided for information only.
CBN - 20006	Cyber Threats using the COVID-19 Pandemic		<b>Action Required</b> Audit Committees and Boards/Governing Bodies are advised to seek assurance from digital / IT teams that a comprehensive programme of protection measures are in place to protect technology, and to raise user awareness.
CBN -20009	Guide for Audit Committees on Financial Reporting and Management during Covid-19		<b>Action Required Not Urgent</b> Audit Committees are advised to consider the guidance in the context of current and shorter-term financial reporting. They may also wish to review the assurance they require on how Covid-19 has impacted on the control environment, financial regularity and the potential for fraud

### Summary of recent Fraud Alerts

Ref	Subject	Status	TIAA Comments
April 2020	Mandate Fraud – Increased Exposure		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist or to the NHS CFA on 0800 028 406

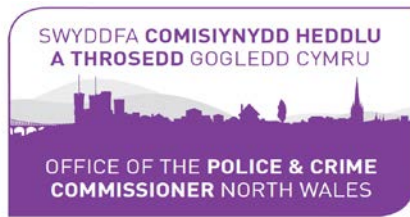


Ref	Subject	Status	TIAA Comments
April 2020	False Invoice Fraud - Increased Exposure		<p><b>Action Required</b></p> <p>This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist or to the NHS CFA on 0800 028 4060.</p>
April 2020	Payroll Mandate Fraud – Increased Exposure		<p><b>Action Required</b></p> <p>This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist or to the NHS CFA on 0800 028 4060.</p>
May 2020	COVID-19 Related Scams		<p><b>Action Required</b></p> <p>This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you have been scammed, report it to Action Fraud: <a href="http://www.actionfraud.police.uk">www.actionfraud.police.uk</a> or 0300 123 2040. Also, contact your bank if you have lost money. Action Fraud also provide advice on how to shop safely online: <a href="https://www.actionfraud.police.uk/shoponlinesafely">https://www.actionfraud.police.uk/shoponlinesafely</a> The NCSC provide advice on how to protect your devices from the latest threats: <a href="https://www.ncsc.gov.uk/guidance/securing-your-devices">https://www.ncsc.gov.uk/guidance/securing-your-devices</a></p>
May 2020	Office 365 Phishing Scam		<p><b>Action Required</b></p> <p>Organisations are advised to review existing layers of security in place for IT services such as email and web filtering. They should also raise the awareness of this risk with staff education and training. For more advice, see the NCSC Small Business Guide <a href="https://www.ncsc.gov.uk/collection/small-business-guide">https://www.ncsc.gov.uk/collection/small-business-guide</a>.</p>
June 2020	Ghost Broking		<p><b>Action Required</b></p> <p>This alert provides information and advice to staff about fraud and economic crime that may occur during the pandemic, and the risks associated with it. The IFB have a confidential Cheatline service for specifically reporting insurance scams. Visit <a href="http://www.insurancefraudbureau.org">www.insurancefraudbureau.org</a> or call 0800 422 0421. For any other scams, you should report it to Action Fraud: <a href="http://www.actionfraud.police.uk">www.actionfraud.police.uk</a> or 0300 123 2040.</p>

**Joint Audit Committee**

**Meeting Date: 30<sup>th</sup> July 2020**

<b>Title:</b>	Risk Management Report
<b>Author:</b>	Neil T. Ackers, Risk and Business Continuity Lead
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with an overview of risk management within the Force
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• Appointment of new Risk and Business Continuity Lead</li> <li>• Creation of COVID19 Risk Register</li> <li>• Details of Risks recorded on the Force Risk Register and COVID19 Risk Registers that have been opened, closed or Current Risk Level Changes in the reporting period</li> <li>• Latest position on Assurance Mapping</li> <li>• Training</li> </ul>
<b>Recommendations:</b>	None
<b>Risk Register Impact:</b>	This report is based on details recorded on both the Force Risk Register and the COVID19 Risk Register
<b>Assurance Implications:</b>	This report is directly relevant to the development of assurance in North Wales Police
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	Separate closed session report submitted



**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## **JOINT AUDIT COMMITTEE**

### **RISK MANAGEMENT REPORT - 30<sup>th</sup> JULY 2020**

#### **REPORT OF THE NORTH WALES POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE**

##### **1. INTRODUCTION**

The purpose of this report is to provide an update on the organisational Risk Management process and allow oversight of the status of North Wales Police and Crime Commissioner and North Wales Police Risks and is based on information received and recorded by 30<sup>th</sup> June 2020 on Force Risk Register version 5.111 and COVID19 Risk Register 0.13.

Project Risks are managed separately within the Portfolio Management Office; however those that require Force attention are escalated to the Force Risk Register through an agreed process.

##### **2. NEW APPOINTMENT**

Neil T. Ackers was appointed to the role of Risk and Business Continuity Lead on 6<sup>th</sup> April 2020 and replaces Kathryn Jones.

##### **3. RISK SUMMARY**

Since the last Joint Audit Committee (JAC) we have developed our approach to ensure we have an effective framework for managing Covid-19 related risks and in line with other Forces a separate COVID19 Risk Register has been created to record and monitor all COVID19 related Risks. With a platform now in place the focus will now shift to developing the listing of Covid-19 risks with senior teams within the organisation. This Register runs parallel to the Force Risk Register.

The COVID19 Risk Register has been included in this report to highlight its existence but in future Joint Audit Committee Reports, the COVID19 Risks will be reported upon by exception. Future COVID Risks will be covered by the overarching Pandemic Risk on the Force Risk Register.

**Table 1: - Risks originally recorded on the Force Risk Register that transferred across to the COVID19 Risk Register. There are currently 5 Active COVID19 Risks**

Force Risk Register URN	Risk Title	NEW URN on COVID19 Risk Register
48	REDACTED FOR CLOSED SESSION	CV01/20
52	REDACTED FOR CLOSED SESSION	CV04/20
56	REDACTED FOR CLOSED SESSION	CV02/20
61	REDACTED FOR CLOSED SESSION	CV06/20
62	REDACTED FOR CLOSED SESSION	CV05/20

**Table 2: - Risk originally recorded on COVID Risk Register transferred to the Force Risk Register**

URN on COVID19 Risk Register	Risk Title	Force Risk Register URN
CV03/20	REDACTED FOR CLOSED SESSION	60

**Table 3: - NWP Risks on the Force Risk Register 7<sup>th</sup> February - 30<sup>th</sup> June 2020**

	Previous Total	Risks Closed in this period	New Risks in this period	Risks transferred to COVID19 Register	Risks transferred from COVID19 Register to Force Risk Register	Current NWP Risks Total
<b>Critical</b>	2	0	1	1	0	2
<b>High</b>	10	4	14	5	1	16
<b>Medium</b>	0	0	0	0	0	0
<b>Low</b>	0	0	0	0	0	0
<b>Negligible</b>	0	0	0	0	0	0
<b>*Undefined</b>	0	0	2	0	0	2
<b>Total</b>	12	4	17	6	1	20

\* Undefined are risks which are awaiting completion of the Risk Template by the Risk Lead/Owner

**Table 4: - OPCC Risks 7<sup>th</sup> February - 30<sup>th</sup> June 2020**

	Previous total	Closed in this period	New in this period	Changed Risk Level	Current NWP Risks Total
<b>Critical</b>	1	0	0	0	1
<b>High</b>	0	0	0	0	0
<b>Medium</b>	0	0	0	0	0
<b>Low</b>	0	0	0	0	0
<b>Negligible</b>	0	0	0	0	0
<b>Total</b>	1	0	0	0	1

#### 4. NEW FORCE REGISTER RISKS SINCE LAST REPORT

**Risk 48 – REDACTED FOR CLOSED SESSION**

**Risk 49 – REDACTED FOR CLOSED SESSION**

**Risk 50 – REDACTED FOR CLOSED SESSION**

**Risk 51 – REDACTED FOR CLOSED SESSION**

**Risk 52 – REDACTED FOR CLOSED SESSION**

**Risk 53 – REDACTED FOR CLOSED SESSION**

**Risk 54 – REDACTED FOR CLOSED SESSION**

**Risk 55 – The Force Headquarters Back-Up Generator and un-interrupted Power Supply**

This risk has identified issues with the condition of the Force Headquarters Generator that would impact upon an un-interrupted power supply and Logistics Operative call-out.

**Risk 56 – REDACTED FOR CLOSED SESSION**

**Risk 57 – Emergency Service Network (ESN)**

This Risk has been created following the merging of previously recorded Risks 44 and 45 on the Force Risk Register. ESN proves to be an unviable or sub optimal solution given national and local concerns relating to the delivery parameters of Time, Cost & Quality.

**Risk 58 – Command and Control Upgrade**

This risk relates to existing ageing hardware that increases the risk of service disruption.

**Risk 59 – REDACTED FOR CLOSED SESSION**

**Risk 60 – REDACTED FOR CLOSED SESSION**

**Risk 61 – REDACTED FOR CLOSED SESSION**

**Risk 62 – REDACTED FOR CLOSED SESSION**

**Risk 63 – Pandemic**

This Risk has been created following the effect of COVID19 virus and will ensure the Organisation is fully prepared for any future pandemics

**Risk 64 – REDACTED FOR CLOSED SESSION**

#### 5. NEW COVID19 RISK REGISTER RISKS

**Risk CV01/20 – REDACTED FOR CLOSED SESSION**

**Risk CV02/20 – REDACTED FOR CLOSED SESSION**

**Risk CV03/20 – REDACTED FOR CLOSED SESSION**

**Risk CV04/20 – REDACTED FOR CLOSED SESSION**

**Risk CV05/20 – REDACTED FOR CLOSED SESSION**

**Risk CV06/20 – REDACTED FOR CLOSED SESSION**

**Risk CV07/20 – REDACTED FOR CLOSED SESSION**

## **6. RISKS CLOSED SINCE LAST REPORT**

**Risk 43 – REDACTED FOR CLOSED SESSION**

### **Risks 44 and 45**

These Risks related to Emergency Service Network (ESN) and have been merged to form a NEW Risk on the Force Risk Register under URN 57.

**Risk 49 - REDACTED FOR CLOSED SESSION**

**Risk 50 – REDACTED FOR CLOSED SESSION**

**Risk CV01/20 – REDACTED FOR CLOSED SESSION**

## **7. RISK LEVEL CHANGES SINCE LAST REPORT**

**Risk 19 – REDACTED FOR CLOSED SESSION**

### **Risk 38 - Potential impacts (uncertainty) of EU Exit**

Members of Operations Committee agreed on 05/06/20 that the Target Risk Level could be reduced from Medium to Low as the situation remains the same in that we await a national steer from UK Govt. about what the Exit deal will look like.

## **8. NEXT STEPS / DEVELOPMENTS REGARDING RISK**

At the March 2020 meeting, the DFR and Head of Corporate Services, provided an overview of the current Risk Management processes and outlined the next steps to undertaken to further develop the Risk Management within the force:

### **8.1 Continue to increase awareness around the Risk agenda embedding it further into the culture (Risk Appetite, Risk Identification, Risk Management, etc.)**

Assurance mapping to one side, the general feeling is that Risk Management has continued to gain traction since the March-19 JAC.

Covid-19 prompted a number of conversations around Risk Appetite where decisions were referenced back to that context. Examples of decisions taken where this was a feature of the discussions included:

- Decision to revisit the policy regarding Airwave usage.
- Decision to accelerate deployment of Laptop devices.
- Decision not to allow the use of Zoom on networked NWP devices.

Whilst acknowledging it as an indicator of limited value in its own right, the number of Risks being added to the Risk register since the last JAC meeting also reflect an increase in awareness with 17 new risks added in that period. Furthermore certain risks – Body Worn Video (BWV) for example – have been added and actively managed through to closure.

So anecdotally awareness of Risk Management and its place within the organisation's management systems has continued to progress since the last JAC meeting.

## **8.2 Ensure Risk Management gets suitably reflected in our Governance refresh (i.e. Senior Management Team (SMT) role definition)**

Ensuring that there is a clear line of sight regarding Risk Management running through our Governance structure has been discussed and progressed via our Governance review.

It is the intention that the Assurance board – which has oversight of the Risk Management / Assurance process – reports by exception to the Joint Governance Board on associated matters. The proposal from the Governance review is that Risk Management at SMT level is also formally incorporated to the SMT terms of reference so that ownership of local Risk Registers – and in due course – the local Risk Assurance Mapping, is progressed.

## **8.3 Complete recruitment to the Risk & Assurance Role**

As alluded to earlier in the report, Neil T. Ackers was recruited to the role.

## **8.4 Develop our processes around the approved Risk Management Framework (Endorsed by the Assurance board in Feb20)**

The Risk and Business Continuity Lead has begun to undertake and develop the practicalities regarding risk management. Risk reports have been produced and circulated to SMTs and a scalable framework for managing Covid-19 related risks has been developed and put in place.

## **8.5 Complete Roll out of Risk Assurance Mapping**

A briefing document that will accompany the Assurance Mapping documentation to Senior Management Team's is complete and the initial draft will be reviewed at the next Assurance Board.

Finance and Resources SMT have recently received their Assurance Map and Action Monitoring Log following the pilot last year. Work will continue with SMT members to complete the outstanding Actions and ensure assurances are in place for any Risk Areas identified.

Due to awaiting the appointment of the Risk and Business Continuity Lead, and subsequent COVID19 restrictions, the rollout of Assurance Mapping across the Force has been delayed. The roll out is planned to complete within this fiscal year.

## **8.6 Consider action plans around further refinements (Risk identification, categorisation & other areas of JAC feedback) – Assurance Board**

The Risk and Business Continuity Lead – aside from those areas already delivered and reflected above – is considering next steps in terms of developing the risk framework and associated action plans. One area currently being explored is training.

Consultation has commenced with the Force Insurers regarding provision of Risk Management Training in 2 phases, Chief Officers and Departmental Heads/Senior Officers.

Arrangements have also been made for the Risk and Business Continuation Lead and the Governance and Policy Officer to provide personal inputs to new Recruits on Risk and Policy.

## **9.0 FUTURE JOINT AUDIT COMMITTEE RISK REPORTS**

We are planning on revising the format of Risk Reports to make them clearer and easier to consume for future Joint Audit Committees based on consultation with the JAC Risk Lead in advance of the next JAC.



## 8 FORCE RISK REGISTER AS AT 30/06/2020

URN	Risk Title	Risk Levels			Risk Type	Last Review
		Before Controls	Current	Target		
3	RMS Legacy Database	High	Med (Force)	Low	Static	17/06/2020
5	IT Infrastructure investment	High	Low	Low	Static	11/06/2020
9	Adequacy of financial resources	Critical	High	Med (Force)	Static	13/05/2020
10	REDACTED	High	Med (Force)	Low	Static	04/06/2020
11	REDACTED	High	Med (Force)	Negligible	Static	04/06/2020
13	Inadequate financial resources to deliver service plans	Critical	High	Med (Force)	Static	05/06/2020
14	Risk of loss of money invested on the money market	Critical	Low	Low	Static	05/06/2020
19	REDACTED	High	Low	Low	Dynamic	25/06/2020
38	Potential impacts (uncertainty) of EU Exit	High	Low	Low	Dynamic	05/06/2020
46	REDACTED	High	High	Med (Force)	Static	09/06/2020
47	Ability to Integrate Uplift Officers	High	Med (Force)	Low	Dynamic	25/06/2020
51	REDACTED	High	Med (Force)	Low	Dynamic	19/06/2020
53	REDACTED	High	High	Med (Force)	Static	01/06/2020
54	REDACTED	High	Med (SMT)	Low	Dynamic	25/06/2020
55	HQ Backup Power Generator and Uninterrupted Power Supply (UPS)	High	Med (SMT)	Low	Dynamic	25/06/2020
57	Emergency Service Network (ESN)	High	High	Low	Static	13/05/2020
58	Command and Control Upgrade	High	Med (Force)	Low	Dynamic	11/06/2020
59	REDACTED	High	Low	Low	Static	11/06/2020
60	REDACTED	High	Med (Force)	Med (Force)	Static	26/06/2020
63	Pandemics	*Undefined	*Undefined	*Undefined	*Undefined	*Undefined
64	REDACTED	*Undefined	*Undefined	*Undefined	*Undefined	*Undefined

**\*Undefined – Awaiting completion of Risk Template from Risk Owner**

9 COVID 19 RISK REGISTER AS AT 30/06/20

URN	Risk Title	Risk Levels			Risk Type	Last Review
		Before Controls	Current	Target		
CV02/20	REDACTED	Critical	High	Med (Force)	Dynamic	11/05/2020
CV04/20	REDACTED	High	Med (Force)	Low	Static	29/05/2020
CV05/20	REDACTED	High	Med (Force)	Low	Static	04/06/2020
CV06/20	REDACTED	High	Med (Force)	Low	Static	19/06/2020
CV07/20	REDACTED	Med (Force)	Med (Force)	Low	Dynamic	18/06/2020

**Joint Audit Committee**  
**Meeting Date: 30 July 2020**

<b>Title:</b>	<b>ASSURANCE BOARD BRIEFING</b>
<b>Author:</b>	James Sutton, Head of Business Intelligence/Assurance
<b>Purpose of the Report:</b>	To provide a briefing on the role and remit of the Assurance Board
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• The Force Assurance Board is a means of managing key parts of governance at a practical level, ensuring the right level of rigour is brought to processes and documents, and that these are as efficient as they can be.</li> <li>• The Assurance Board reports into the Senior Leadership Team for policy ratification, provides highlight reports to the Continuous Improvement and Assurance Board, and the chair is a member of the Joint Governance Board</li> <li>• The governance review has recommended changes to the reporting structure</li> <li>• The paper covers progress with regard to policy, risk management and business continuity.</li> </ul>
<b>Recommendations:</b>	The Joint Audit Committee is invited to note the content of the report.
<b>Risk Register Impact:</b>	None
<b>Assurance Implications:</b>	The Assurance Board's remit is to ensure key parts of governance such as policy, business continuity plans and assurance mapping are fit for purpose and scrutinised.
<b>Equality Impact:</b>	None
<b>Information exempt from disclosure:</b>	None

## Joint Audit Committee - Force Assurance Board Briefing

### 1. Role and remit

- 1.1 The Force Assurance Board is a means of managing key parts of governance at a practical level, ensuring the right level of rigour is brought to processes and documents, and that these are as efficient as they can be. The areas of business covered are Policy, Risk Management and Business Continuity.
- 1.2 The membership of the board is Chief Inspector level from an officer perspective, and includes key members of police staff such as HR, legal, diversity and training. The main business of the board is consultative, and debate within the board is undertaken on a consensus basis, to arrive at the best outcome for the Force.
- 1.3 The Assurance Board was created in June 2019 from the previous Policy Board which was created mid-2016. The majority of work undertaken therefore has been in the realm of Policy, although the focus will now start to change particularly in response to the impact of covid-19 on the main areas of business.

### 2. Governance areas

#### Policy

- 2.1 The initial work of the board (then called the Policy Board) was to create policy standards, and processes for managing and challenging new policy creation, policy review and policy decommissioning. The Assurance Board's work is in addition to standard subject matter expert consultation on policy as it is developed and reviewed. The Assurance Board provides a forum for informed debate, joint consultation and decision making.
- 2.2 In its lifetime the board has undertaken two main policy reviews, the first bringing all policies in line with the new policy standards and processes, and the second review which tested policies against a policy threshold – developed by the board – which radically changed the number of policies and converted a proportion into guidance, which have a much lighter governance process.

- 2.3 The current business as usual work is focussed around bringing policies that have passed the threshold up to standard, and reformatting policies that have become guidance, as well as dealing with new policy request and policy reviews.
- 2.4 The next phase of work is related to capturing a number of policy decisions that were made through the covid-19 planning work, to ensure they come through the proper governance process, and are reflected in policy.

### Business Continuity

- 2.5 Business continuity was brought into the meeting when it was changed from the Policy Board to the Assurance Board. General business continuity matters have been brought to the meeting, and a route for formally capturing business continuity events is in place to ensure a debrief is undertaken and any lessons learned captured. Other matters such as actions from the previous Force live exercise also come to the board.
- 2.6 Current work will be focussed on the impact of covid-19 on business continuity plans, ensuring lessons learned are captured and reflected in plans, considering an overarching pandemic plan, as well as capturing business continuity implications from the covid-19 recovery planning that has started within the Force. Business Continuity activities have proved effective thus far in dealing with the Covid-19-19 pandemic but there are a number of lessons to reflect upon. Thought also needs to be given to the longer term implications of Covid-19-19 on business continuity given certain operating model changes are likely to remain in place for some time (and in some areas potentially being permanently adopted).

### Risk Management

- 2.7 Risk management was also brought in the meeting when it was created as the Assurance Board. The main work of the board will be in supporting and developing the assurance mapping process and providing a place for an overarching view of progress. They will also have a role in promoting risk, identifying risk and playing a part in future risk workshops to periodically review the Force risk register and ensure it is fit for purpose.
- 2.8 Assurance mapping roll out timescales have been affected by the advent of covid-19 19, which happened just after the last Joint Audit Committee in March 2020. Given the disruption of usual business both on the assurance staff who were directly involved in supporting the Force response, but also on the Force in terms of its capacity to support the assurance mapping process, timescales have been extended.
- 2.9 This matter was raised in the Strategic Management Board risk update 22 May 2020 as an issue and the matter was remitted to a further discussion with the Chief Superintendent Corporate Services and Director of Finance and Resources. It was decided in the further discussion that given the disruption to business and the planning round commitments of Senior Management Teams, that we would look to roll assurance mapping out from September 2020. There would still be a commitment to complete within the fiscal year.
- 2.10 In the meantime, preparation work for the roll out will continue. The next Assurance Board will receive the assurance mapping briefing pack that has been developed to ensure it is fit for purpose and provides

the right level of information. Initial engagement with Senior Management Teams will take place before roll out starts.

### 3. Governance structure

- 3.1 The terms of reference are due to be reviewed at the next meeting, and this is particularly pertinent in light of the governance review recommendations.
- 3.2 The Assurance Board currently reports to the Continuous Improvement and Assurance Board chaired by the Deputy Chief Constable, with a line of reporting for sign off of policy change to the Senior Leadership Team meeting chaired by the Chief Constable.
- 3.3 The governance review recommends changes to the governance structure which impact on the Assurance Board. This is primarily as a result of proposed changes to the Continuous Improvement and Assurance Board, which reflect a move to this board being a Strategic Change Board. As a result the Assurance Board would no longer report to this board but instead would report directly to the Strategic Management Board. The Assurance Board would retain its link to the Senior Leadership Team for policy change ratification.
- 3.4 An additional change is that the chair of the Assurance Board becomes a member of the Joint Governance Board, acknowledging the link between the boards' business and ensuring work is coordinated and visible.
- 3.5 The current terms of reference are due for review at the next Assurance Board in July 2020 to ensure they reflect current practice. They will also be transferred to the new terms of reference template developed as part of the governance review. The abridged terms of reference are shown for information at the appendix.

## Appendix - Assurance Board Terms of Reference

### Abridged terms of reference

#### **Purpose of the meeting**

The Assurance Board will provide a single point for managing all assurance related matters i.e. policies, risk management and business continuity management. The Board will provide the Force with reassurance that there is sufficient evidence that the right level of assurance is in place in the right areas. The Assurance Board will be the final ratification point for all policies (**superseded**)

#### **Meeting objectives**

- The Board will have oversight on the creation, management and review of all assurance related documents, which will include Policies, Frameworks, Standard Operating Procedures, Practice Guides, Business Continuity Plans, and Assurance Maps
- The Board will use the policy threshold test to ensure only necessary policies are created.
- The Board will also be the final ratification point (**superseded**) for all assurance related documents which will already have been subject of consultation with Specialist Business Areas, Service Leads and Senior Officers.
- Attendees to the Board will include SMT representation from each business area, a member of the Force Audit and Inspection Team, Professional Standards representative and Staff Association representatives. Additional specialist representatives will be invited as required.

▪

#### **Standing Agenda Items**

1. Force Documents
  - Requests to Create New Policy
  - Ratification of New Policy/ SOP's/Practice Guides/Frameworks
  - Review and ratification of significantly amended existing Policy (Renewal)
2. Risk Management
  - Strategic Risk Register
  - Assurance Maps
3. Business Continuity Planning
  - New / Updated Business Continuity Plans
  - Lessons Learnt from Planned / Unplanned Business Continuity Plans activation

108c



Michelle Phoenix  
**Audit Manager**  
Audit Wales  
24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd

Reference: NWPCC1920

25 June 2020

Dear Michelle

Please find enclosed the completed template for the **North Wales Police and Crime Commissioner 2019-20 - Audit enquiries to those charged with governance and management**. The template has been completed from the Governance Framework matrix that is completed by the Joint Governance Board.

Please let me or the Head of Finance know if you require further information.

Yours sincerely

Kate Jackson  
Chief Finance Officer



## **Appendix 1**

### **Matters in relation to fraud**

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance'. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

### **What are we required to do?**

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance (The Police and Crime Commissioner - PCC) exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
1. What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	<p>The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required.</p> <p>Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees.</p>	<p>The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required.</p> <p>Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees.</p>
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>From our Governance framework:  Measure: anti-fraud and corruption policies which are up to date and working effectively  Controls: LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2018-19, safecall, PSD / etc. IPCC/ PCP, Internal Audit review of counter fraud arrangements 2018-19 identified areas for improvement; all of the actions have been completed and signed off by TIAA.  Measure: co-operation with the National Fraud Initiative  Controls: we participate in the NFI exercises and these are externally validated by WAO; effective anti-fraud and corruption policies and procedures; Procedures devised to minimise risk of fraud and error and/or to</p>	<p>From our Governance framework:  Measure: anti-fraud and corruption policies which are up to date and working effectively  Controls: LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2019-20, safecall, PSD / etc. IPCC/ PCP.  Measure: co-operation with the National Fraud Initiative  Controls: we participate in the NFI exercises and these are externally validated by WAO; effective anti-fraud and corruption policies and procedures; Procedures devised to minimise risk of fraud and error and/or to assist detection; IA, PSD  Measure: compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p>

	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
	assist detection; IA, PSD Measure: compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).	
3. What arrangements are in place to report fraud issues and risks to the PCC?	From our Governance framework: Measure: anti-fraud and corruption policies which are up to date and working effectively Controls: LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2018-19, safecall, PSD / etc. IPCC/ PCP, Internal Audit review of counter fraud arrangements 2018-19 identified areas for improvement; all of the actions have been completed and signed off by TIAA.	From our Governance framework: <b>Measure:</b> anti-fraud and corruption policies which are up to date and working effectively <b>Controls:</b> LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2019-20, safecall, PSD / etc. IPCC/ PCP.
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	From governance framework: Measure: Ensuring that the PCC, chief officers and staff behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby promoting and upholding the reputation of the organisation among its stakeholders. Controls: Ethics Committee, Strategy MATS. Staff support networks. CC held leadership seminar, CC roadshows, Senior Management NPCC meetings and SMT's; Bend the bosses ear campaign. Occy health, health & wellbeing agenda, PSD Strategy MATS PCC –	From our Governance framework: <b>Measure:</b> Ensuring that the PCC, chief officers and staff behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby promoting and upholding the reputation of the organisation among its stakeholders. <b>Controls:</b> Ethics Board, Strategy MATS. Staff support networks. CC held leadership seminar, CC and chief officers visit sites regularly to engage with staff and officers, Senior Management NPCC meetings and SMT's. Occy health, health & wellbeing agenda emphasised, PSD

	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
	<p>Panel Staff surveys Force – PCC Fed, Unison  <b>Measure:</b> Ensuring the PCC and chief officers lead in establishing specific standard operating principles or values for their organisations and staff and that they are communicated and understood. The values should build on the Nolan Principles and the Code of Ethics.  <b>Controls:</b> PSD (ACU) part of induction process / enhanced vetting programme. Mandatory training such as data protection carried out annually Codes of Conduct (OPCC); Code of Ethics, Published Values (Force) Information standards &amp; compliance carry out audits on data protection, information security and monitoring (systems and information) Joint Audit Committee to abide by Nolan Principles Internal Audit Publication schemes; FOI; HMICFRS (Force); APP Measures: Leading by example and using above standard operating principles or values as a framework for decision making and other actions. Manual of governance – updated 2018-19; Decision making policy.  <b>Measure:</b> Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.  APPs Policy library National decision making protocol  <b>Measure:</b> The Code of Ethics expressed purpose in underpinning organisational culture</p>	<p>Strategy MATS PCC – Panel Staff surveys Force – PCC Fed, Unison  <b>Measure:</b> Ensuring the PCC and chief officers lead in establishing specific standard operating principles or values for their organisations and staff and that they are communicated and understood. The values should build on the Nolan Principles and the Code of Ethics.  <b>Controls:</b> PSD (ACU) part of induction process / enhanced vetting programme. Mandatory training such as data protection carried out annually Codes of Conduct (OPCC); Code of Ethics, Published Values (Force) Information standards &amp; compliance carry out audits on data protection, information security and monitoring (systems and information) Joint Audit Committee to abide by Nolan Principles Internal Audit Publication schemes; FOI; HMICFRS (Force); APP Measures: Leading by example and using above standard operating principles or values as a framework for decision making and other actions. Governance review undertaken 2019-20 and recommendations being implemented going forward; Decision making policy.  <b>Measure:</b> Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.  APPs Policy library National decision making protocol  <b>Measure:</b> The Code of Ethics expressed purpose in</p>

	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
	<p>Controls: code of conduct staff and elected members; code of ethics, misconduct regs for force and awareness of the appraisal process in place</p> <p>Measure: Standards of professional behaviour</p> <p>Controls: Code of ethics (CC) Professional ethics (DFR/CFO).</p>	<p>underpinning organisational culture.</p> <p><b>Controls:</b> code of conduct staff and elected members; code of ethics, misconduct regs for force and awareness of the appraisal process in place.</p> <p><b>Measure:</b> Standards of professional behaviour</p> <p><b>Controls:</b> Code of ethics (CC) Professional ethics (DFR/CFO).</p>
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?	<p>No.</p> <p>CFO, DFR, Internal Audit and PSD have contacted each other at regular intervals to confirm whether they have had any such instances. None were reported in 2018/19.</p>	<p>Yes – one instance of fraud was reported in 2019/20 to PSD which was communicated onwards and appropriate action taken.</p>

	Enquiries of those charged with governance – in relation to fraud	Enquiries of those charged with governance – in relation to fraud
Question	2018-19 Response	2019-20 Response
1. How does the PCC, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Organisation and the internal control that management has established to mitigate	<p>CFO, DFR, Internal Audit and PSD have contacted each other at regular intervals to confirm whether they have had any such instances. None were reported in 2018/19.</p> <p>Controls as detailed in the governance framework. This is overseen by the Joint Governance Board.</p>	<p>CFO, DFR, Internal Audit and PSD have contacted each other at regular intervals to confirm whether they have had any such instances. One was reported in 2019/20.</p> <p>Controls as detailed in the governance framework. This is overseen by the Joint Governance Board.</p>

	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
those risks?		
2. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?	No.	Yes – one (as above).

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## **Appendix 2**

### **Matters in relation to laws and regulations**

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, is responsible for ensuring that the Organisation's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

### **What are we required to do?**

As part of our risk assessment procedures we are required to make inquiries of management as to whether the Organisation is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

	<b>Enquiries of management – in relation to laws and regulations</b>	<b>Enquiries of management – in relation to laws and regulations</b>
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Joint Governance Board meets quarterly to record and raise all governance issues. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.	Joint Governance Board met twice in 2019-20 to record and raise all governance issues. In 2020-21 the Terms of Reference for this Board has been updated, and will meet quarterly going forward. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.
2. Are there any potential litigations or claims that would affect the financial statements?	The Police and Crime Commissioner has the sum of £1.173 million reserved for insurance. £0.649 million relates to the potential additional liabilities in relation to the Scheme of Arrangement for Municipal Mutual Assurance and £0.524 million for additional areas of insurance in relation to current emerging claims not currently recognised. Contingent liabilities are reviewed as part of the year-end processes, and will be reported in the statements of accounts.	The Police and Crime Commissioner has the sum of £1.173 million reserved for insurance. £0.649 million relates to the potential additional liabilities in relation to the Scheme of Arrangement for Municipal Mutual Assurance and £0.524 million for additional areas of insurance in relation to current emerging claims not currently recognised. Contingent liabilities are reviewed as part of the year-end processes, and will be reported in the statements of accounts.
3. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2019, or earlier with an	No.	No.



ongoing impact on the 2019-20 financial statements?		
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.	No.

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	<b>Enquiries of those charged with governance – in relation to laws and regulations</b>	<b>Enquiries of those charged with governance – in relation to laws and regulations</b>
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1. How does the PCC in his role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	Joint Governance Board meets quarterly to record and raise all governance issues. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.	Joint Governance Board met twice in 2019-20 to record and raise all governance issues. In 2020-21 the Terms of Reference for this Board has been updated, and will meet quarterly going forward. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.
2. Are the you aware of any instances of non-compliance with relevant laws and regulations?	No.	No.

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## **Appendix 3**

### **Matters in relation to related parties**

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### **What are we required to do?**

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

	Enquiries of management – in relation to related parties	Enquiries of management – in relation to related parties
Question	2018-19 Response	2019-20 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> <li>the identity of any related parties, including changes from the prior period;</li> <li>the nature of the relationships with these related parties;</li> <li>details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions.</li> </ul>	<p>Yes</p> <p>Members of the Joint Audit Committee declared all their financial interests relating to contracts and businesses on appointment and signed an agreement to abide by the Seven Nolan Principles of Life and declare any revised interests to the Chief Executive. Joint Audit Committee members declarations of interests can be found on the Office of the Police and Crime Commissioner’s website <a href="http://www.northwales-pcc.gov.uk">www.northwales-pcc.gov.uk</a></p> <p>There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of North Wales Police/Police and Crime Commissioner. A robust process is also in place to approve and register the business interests of both police staff and officers. The Police and Crime Commissioner charges Denbighshire County Council, Abergele Town Council, North Wales Joint Branch Board, Tunnel and Network Services and Victim Support in respect of joint occupancy of buildings.</p> <p>The Chief Constable is a trustee of PACT (North Wales Police and Community Trust). The Force allocates funding from income received via the Police Property Fund Account in support of PAC</p>	<p>Yes</p> <p>Members of the Joint Audit Committee declared all their financial interests relating to contracts and businesses on appointment and signed an agreement to abide by the Seven Nolan Principles of Life and declare any revised interests to the Chief Executive. Joint Audit Committee members declarations of interests can be found on the Office of the Police and Crime Commissioner’s website <a href="http://www.northwales-pcc.gov.uk">www.northwales-pcc.gov.uk</a></p> <p>There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of North Wales Police/Police and Crime Commissioner. A robust process is also in place to approve and register the business interests of both police staff and officers.</p> <p>The Police and Crime Commissioner’s wife is a serving Councillor for Wrexham Council and is a member of the Planning Committee, Safeguarding and Wellbeing Scrutiny Committee, Corporate Land and Buildings Committee, Licensing Committee and Community Health Council.</p> <p>The Police and Crime Commissioner charges Denbighshire County Council, Abergele Town Council, North Wales Joint Branch Board, Tunnel and</p>

T projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2018-19 this equated to £60,000 donated from the fund to PACT and support in meeting the costs of the Fund administration. The Police and Crime Commissioner and Chief Constable participate in a Drug Intervention Programme which is a grant funded partnership with responsibility to reduce drug related offending and deaths through provision of support and services. The Partnership consists of officers from the Force, Community Safety Partnerships, Local Health Boards, North Wales Probation Service, North Wales Magistrates' Court, HM Prison Service, Jobcentre Plus and the Welsh Government.

Network Services and Victim Support in respect of joint occupancy of buildings.

The Chief Constable is a trustee of PACT (North Wales Police and Community Trust). The Force allocates funding from income received via the Police Property Fund Account in support of PACT projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2019-20 this equated to £50,000 donated from the fund to PACT and support in meeting the costs of the Fund administration.

The Police and Crime Commissioner and Chief Constable participate in a Drug Intervention Programme which is a grant funded partnership with responsibility to reduce drug related offending and deaths through provision of support and services. The Partnership consists of officers from the Force, Community Safety Partnerships, Local Health Boards, North Wales Probation Service, North Wales Magistrates' Court, HM Prison Service, Jobcentre Plus and the Welsh Government.

Dechrau Newydd: The Office of the Police and Crime Commissioner along with HMPPS have recently tendered for a new drug intervention contract. The service aim is to engage substance using offenders and support them to reduce offending, improve health and social functioning, engage with multi agency support and make sustainable lifestyle changes. The new contract commenced on 1<sup>st</sup> April 2020.

2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	Declaration of interests at meetings Register of interests Register of gifts and hospitality List of current and former partnerships is maintained by CIO	Declaration of interests at meetings Register of interests Register of gifts and hospitality List of current and former partnerships is maintained by CIO
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	<b>Enquiries of those charged with governance – in relation to related parties</b>	<b>Enquiries of those charged with governance – in relation to related parties</b>
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<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
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1. How does the PCC, in his role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	Declaration of interests at meetings Register of interests Register of gifts and hospitality List of current and former partnerships is maintained by CIO	Declaration of interests at meetings Register of interests Register of gifts and hospitality List of current and former partnerships is maintained by CIO
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Michelle Phoenix  
**Audit Manager**  
Wales Audit Office  
24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd

**NWPCC1920**

**Reference**

**Date**

25 June

2020

Dear Michelle,

Please find enclosed the completed template for the **North Wales Chief Constable 2019-20 - Audit enquiries to those charged with governance and management**. The template has been completed from the Governance Framework matrix that is completed by the Joint Governance Board.

Please let me or the Head of Finance know if you require further information.

Seb Phillips  
Director of Finance and Resources



[www.heddlu-gogledd](http://www.heddlu-gogledd)

**SWYDDFA'R PRIF GWNSTABL**  
Pencadlys yr Heddlu, Glan-y-Don,  
Bae Colwyn LL29 8AW  
Ffôn (Cymraeg): 0300 330 0101

[www.north-wales.police.uk](http://www.north-wales.police.uk)

**CHIEF CONSTABLE'S OFFICE**  
Police Headquarters, Glan-y-Don,  
Colwyn Bay LL29 8AW  
Tel (English): 0300 330 0101

## Appendix 1

### Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

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The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance'. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

#### What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance (The Police and Crime Commissioner - PCC) exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

[www.heddlu-gogledd-cymru.police.uk](http://www.heddlu-gogledd-cymru.police.uk)

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	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	<p>The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required.</p> <p>Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees.</p>	<p>The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required.</p> <p>Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees.</p>
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>From our Governance framework:  Measure: anti-fraud and corruption policies which are up to date and working effectively  Controls: LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2018-19, safecall, PSD / etc. IPCC/ PCP, Internal Audit review of counter fraud arrangements 2018-19 identified areas for improvement; all of the actions have been completed and signed off by TIAA.  Measure: co-operation with the National Fraud Initiative  Controls: we participate in the NFI exercises and these are externally validated by WAO; effective anti-fraud and corruption policies and procedures; Procedures devised to minimise risk of fraud and error and/or to assist detection; IA, PSD</p>	<p>From our Governance framework:  Measure: anti-fraud and corruption policies which are up to date and working effectively  Controls: LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2019-20, safecall, PSD / etc. IPCC/ PCP.  Measure: co-operation with the National Fraud Initiative  Controls: we participate in the NFI exercises and these are externally validated by WAO; effective anti-fraud and corruption policies and procedures; Procedures devised to minimise risk of fraud and error and/or to assist detection; IA, PSD  Measure: compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p>

	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
	Measure: compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).	
3. What arrangements are in place to report fraud issues and risks to the PCC?	<p>From our Governance framework:  Measure: anti-fraud and corruption policies which are up to date and working effectively  Controls: LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2018-19, safecall, PSD / etc. IPCC/ PCP, Internal Audit review of counter fraud arrangements 2018-19 identified areas for improvement; all of the actions have been completed and signed off by TIAA.</p>	<p>From our Governance framework:  <b>Measure:</b> anti-fraud and corruption policies which are up to date and working effectively  <b>Controls:</b> LESSON LEARNED, MOU BETWEEN IA, CFO's AND PSD updated in 2019-20, safecall, PSD / etc. IPCC/ PCP.</p>
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<p>From governance framework:  Measure: Ensuring that the PCC, chief officers and staff behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby promoting and upholding the reputation of the organisation among its stakeholders.  Controls: Ethics Committee, Strategy MATS. Staff support networks. CC held leadership seminar, CC roadshows, Senior Management NPCC meetings and SMT's; Bend the bosses ear campaign. Occy health, health &amp; wellbeing agenda, PSD Strategy MATS PCC – Panel Staff surveys Force – PCC Fed, Unison  Measure: Ensuring the PCC and chief officers lead in establishing specific standard operating principles or values for their organisations and staff and that they are communicated and understood. The values should</p>	<p>From our Governance framework:  <b>Measure:</b> Ensuring that the PCC, chief officers and staff behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby promoting and upholding the reputation of the organisation among its stakeholders.  <b>Controls:</b> Ethics Board, Strategy MATS. Staff support networks. CC held leadership seminar, CC and chief officers visit sites regularly to engage with staff and officers, Senior Management NPCC meetings and SMT's. Occy health, health &amp; wellbeing agenda emphasised, PSD Strategy MATS PCC – Panel Staff surveys Force – PCC Fed, Unison  <b>Measure:</b> Ensuring the PCC and chief officers lead in establishing specific standard operating principles or values for their organisations and staff and that they are</p>

	Enquiries of management – in relation to fraud	Enquiries of management – in relation to fraud
Question	2018-19 Response	2019-20 Response
	<p>build on the Nolan Principles and the Code of Ethics. Controls: PSD (ACU) part of induction process / enhanced vetting programme. Mandatory training such as data protection carried out annually Codes of Conduct (OPCC); Code of Ethics, Published Values (Force) Information standards &amp; compliance carry out audits on data protection, information security and monitoring (systems and information) Joint Audit Committee to abide by Nolan Principles Internal Audit Publication schemes; FOI; HMICFRS (Force); APP Measures: Leading by example and using above standard operating principles or values as a framework for decision making and other actions. Manual of governance – updated 2018-19; Decision making policy.</p> <p>Measure: Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.</p> <p>APPs Policy library National decision making protocol Measure: The Code of Ethics expressed purpose in underpinning organisational culture</p> <p>Controls: code of conduct staff and elected members; code of ethics, misconduct regs for force and awareness of the appraisal process in place</p> <p>Measure: Standards of professional behaviour</p> <p>Controls: Code of ethics (CC) Professional ethics (DFR/CFO).</p>	<p>communicated and understood. The values should build on the Nolan Principles and the Code of Ethics.</p> <p><b>Controls:</b> PSD (ACU) part of induction process / enhanced vetting programme. Mandatory training such as data protection carried out annually Codes of Conduct (OPCC); Code of Ethics, Published Values (Force) Information standards &amp; compliance carry out audits on data protection, information security and monitoring (systems and information) Joint Audit Committee to abide by Nolan Principles Internal Audit Publication schemes; FOI; HMICFRS (Force); APP Measures: Leading by example and using above standard operating principles or values as a framework for decision making and other actions. Governance review undertaken 2019-20 and recommendations being implemented going forward; Decision making policy.</p> <p><b>Measure:</b> Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.</p> <p>APPs Policy library National decision making protocol</p> <p><b>Measure:</b> The Code of Ethics expressed purpose in underpinning organisational culture.</p> <p><b>Controls:</b> code of conduct staff and elected members; code of ethics, misconduct regs for force and awareness of the appraisal process in place.</p> <p><b>Measure:</b> Standards of professional behaviour</p> <p><b>Controls:</b> Code of ethics (CC) Professional ethics (DFR/CFO).</p>
5. Are you aware of any	No.	Yes – one instance of fraud was reported in 2019/20 to

	<b>Enquiries of management – in relation to fraud</b>	<b>Enquiries of management – in relation to fraud</b>
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?	CFO, DFR, Internal Audit and PSD have contacted each other at regular intervals to confirm whether they have had any such instances. None were reported in 2018/19.	PSD which was communicated onwards and appropriate action taken.

	<b>Enquiries of those charged with governance – in relation to fraud</b>	<b>Enquiries of those charged with governance – in relation to fraud</b>
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1. How does the PCC, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Organisation and the internal control that management has established to mitigate those risks?	CFO, DFR, Internal Audit and PSD have contacted each other at regular intervals to confirm whether they have had any such instances. None were reported in 2018/19. Controls as detailed in the governance framework. This is overseen by the Joint Governance Board.	CFO, DFR, Internal Audit and PSD have contacted each other at regular intervals to confirm whether they have had any such instances. One was reported in 2019/20. Controls as detailed in the governance framework. This is overseen by the Joint Governance Board.
2. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?	No.	Yes – one (as above).

## Appendix 2

### Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, is responsible for ensuring that the Organisation's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements. As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

#### **What are we required to do?**

As part of our risk assessment procedures we are required to make inquiries of management as to whether the Organisation is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

	Enquiries of management – in relation to laws and regulations	Enquiries of management – in relation to laws and regulations
Question	2018-19 Response	2019-20 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Joint Governance Board meets quarterly to record and raise all governance issues. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.	Joint Governance Board met twice in 2019-20 to record and raise all governance issues. In 2020-21 the Terms of Reference for this Board has been updated, and will meet quarterly going forward. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.
2. Are there any potential litigations or claims that would affect the financial statements?	The Police and Crime Commissioner has the sum of £1.173 million reserved for insurance. £0.649 million relates to the potential additional liabilities in relation to the Scheme of Arrangement for Municipal Mutual Assurance and £0.524 million for additional areas of insurance in relation to current emerging claims not currently recognised. Contingent liabilities are reviewed as part of the year-end processes, and will be reported in the statements of accounts.	The Police and Crime Commissioner has the sum of £1.173 million reserved for insurance. £0.649 million relates to the potential additional liabilities in relation to the Scheme of Arrangement for Municipal Mutual Assurance and £0.524 million for additional areas of insurance in relation to current emerging claims not currently recognised. Contingent liabilities are reviewed as part of the year-end processes, and will be reported in the statements of accounts.
3. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2019, or earlier with an ongoing impact on the 2019-20 financial statements?	No.	No.

4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?

No.

No.

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	<b>Enquiries of those charged with governance – in relation to laws and regulations</b>	<b>Enquiries of those charged with governance – in relation to laws and regulations</b>
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1. How does the PCC in his role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	Joint Governance Board meets quarterly to record and raise all governance issues. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.	Joint Governance Board met twice in 2019-20 to record and raise all governance issues. In 2020-21 the Terms of Reference for this Board has been updated, and will meet quarterly going forward. Attendees include: DFR (Force) CFO (OPCC) CEO (OPCC) TIAA (internal audit) CIO, representative of the JAC, and others as required.
2. Are the you aware of any instances of non-compliance with relevant laws and regulations?	No.	No.

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### **Appendix 3**

#### **Matters in relation to related parties**

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

#### **What are we required to do?**

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

	Enquiries of management – in relation to related parties	Enquiries of management – in relation to related parties
Question	2018-19 Response	2019-20 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> <li>the identity of any related parties, including changes from the prior period;</li> <li>the nature of the relationships with these related parties;</li> <li>details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions.</li> </ul>	<p>Yes</p> <p>Members of the Joint Audit Committee declared all their financial interests relating to contracts and businesses on appointment and signed an agreement to abide by the Seven Nolan Principles of Life and declare any revised interests to the Chief Executive. Joint Audit Committee members declarations of interests can be found on the Office of the Police and Crime Commissioner’s website <a href="http://www.northwales-pcc.gov.uk">www.northwales-pcc.gov.uk</a></p> <p>There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of North Wales Police/Police and Crime Commissioner. A robust process is also in place to approve and register the business interests of both police staff and officers. The Police and Crime Commissioner charges Denbighshire County Council, Abergele Town Council, North Wales Joint Branch Board, Tunnel and Network Services and Victim Support in respect of joint occupancy of buildings.</p> <p>The Chief Constable is a trustee of PACT (North Wales Police and Community Trust). The Force allocates funding from income received via the Police Property Fund Account in support of PACT projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2018-19 this equated</p>	<p>Yes</p> <p>Members of the Joint Audit Committee declared all their financial interests relating to contracts and businesses on appointment and signed an agreement to abide by the Seven Nolan Principles of Life and declare any revised interests to the Chief Executive. Joint Audit Committee members declarations of interests can be found on the Office of the Police and Crime Commissioner’s website <a href="http://www.northwales-pcc.gov.uk">www.northwales-pcc.gov.uk</a></p> <p>There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of North Wales Police/Police and Crime Commissioner. A robust process is also in place to approve and register the business interests of both police staff and officers. The Police and Crime Commissioner’s wife is a serving Councillor for Wrexham Council and is a member of the Planning Committee, Safeguarding and Wellbeing Scrutiny Committee, Corporate Land and Buildings Committee, Licensing Committee and Community Health Council.</p> <p>The Police and Crime Commissioner charges Denbighshire County Council, Abergele Town Council, North Wales Joint Branch Board, Tunnel and Network Services and Victim Support in respect of joint occupancy of buildings.</p> <p>The Chief Constable is a trustee of PACT (North Wales Police and Community Trust). The Force</p>

to £60,000 donated from the fund to PACT and support in meeting the costs of the Fund administration.

The Police and Crime Commissioner and Chief Constable participate in a Drug Intervention Programme which is a grant funded partnership with responsibility to reduce drug related offending and deaths through provision of support and services. The Partnership consists of officers from the Force, Community Safety Partnerships, Local Health Boards, North Wales Probation Service, North Wales Magistrates' Court, HM Prison Service, Jobcentre Plus and the Welsh Government.

allocates funding from income received via the Police Property Fund Account in support of PACT projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2019-20 this equated to £50,000 donated from the fund to PACT and support in meeting the costs of the Fund administration.

The Police and Crime Commissioner and Chief Constable participate in a Drug Intervention Programme which is a grant funded partnership with responsibility to reduce drug related offending and deaths through provision of support and services. The Partnership consists of officers from the Force, Community Safety Partnerships, Local Health Boards, North Wales Probation Service, North Wales Magistrates' Court, HM Prison Service, Jobcentre Plus and the Welsh Government.

Dechrau Newydd: The Office of the Police and Crime Commissioner along with HMPPS have recently tendered for a new drug intervention contract. The service aim is to engage substance using offenders and support them to reduce offending, improve health and social functioning, engage with multi agency support and make sustainable lifestyle changes. The new contract commenced on 1<sup>st</sup> April 2020.

2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and

Declaration of interests at meetings  
 Register of interests  
 Register of gifts and hospitality  
 List of current and former partnerships is maintained by CIO

Declaration of interests at meetings  
 Register of interests  
 Register of gifts and hospitality  
 List of current and former partnerships is maintained by CIO

relationships?		
	<b>Enquiries of those charged with governance – in relation to related parties</b>	<b>Enquiries of those charged with governance – in relation to related parties</b>
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1. How does the PCC, in his role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	Declaration of interests at meetings Register of interests Register of gifts and hospitality List of current and former partnerships is maintained by CIO	Declaration of interests at meetings Register of interests Register of gifts and hospitality List of current and former partnerships is maintained by CIO

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## JOINT AUDIT COMMITTEE

30 JULY 2020

### Treasury Management Outturn Report 2019-20

Report by the Chief Constable's and Police and Crime Commissioner's Chief Finance Officers



## 1. EXECUTIVE SUMMARY

- 1.1 The following report contains a summary of treasury management activity undertaken in 2019-2020, primarily the investment of surplus cash (cash flow management) during the last year.
- 1.2 In addition this report details the statutory requirements of the CIPFA Treasury Management Code of Practice (the TM Code) which includes the requirement to report on the performance of the treasury management function at least twice a year.
- 1.3 The report is submitted to the JAC for information and comments.

## RECOMMENDATION

For the Police and Crime Commissioner to note the contents of this report and the treasury management activity in 2019-2020, and note the reasons why the limits or indicators were breached, namely -

- **Treasury Investment Activity:** the voluntary minimum of cash available overnight of £10.0m was breached on 5 occasions (twice dipping down to £8.8m, once just above £9.5m and twice to £9.8m). This was done with the prior knowledge that balances would recover to over £10.0m within an acceptable timescale.
- **Compliance – Investment Limits** (maximum limit of £10m to be held with the Commissioner's bankers): of the £15.5m deposited on 31 March 2020 with HSBC, £7.0m was deposited in a 31 day notice account, thereby not being immediately available. The balance of £8.5m was kept in the HSBC current account, in order to ensure sufficient liquidity during the COVID 19 lockdown period. The latter balance held in the current account is not technically deemed to be an investment, but in the spirit of full disclosure this has been taken into account as part of this indicator.

**IMPLICATIONS OF THE REPORT:**

Financial	The report sets out the performance against agreed rules and limits for investing and borrowing money per the agreed treasury management strategy in place for 2019-2020
Legal	This report is a statutory requirement of the Treasury Management Code of Practice.
Community	No implications
Risk	The arrangements are designed to manage the risk from investing and borrowing
Police and Crime Objectives	No implications
Equality	No implications

# TREASURY MANAGEMENT OUTTURN REPORT 2019-2020

## 1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires the Police and Crime Commissioner to approve treasury management semi-annual and annual reports.

The Police and Crime Commissioner's Capital Strategy which includes the Treasury Management Strategy for 2019/20 was scrutinised at the Joint Audit Committee on the 21 March 2019, and approved by a Decision Notice dated the 26 March 2019. The Police and Crime Commissioner has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Police and Crime Commissioner's treasury management strategy.

Treasury risk management at the Police and Crime Commissioner is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Police and Crime Commissioner to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Police and Crime Commissioner's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by the Police and Crime Commissioner covering capital expenditure and financing, treasury management and non-treasury investments.

## 2. External Context

**Economic background:** The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the

time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

**Financial markets:** Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark fell from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

**Credit review:** In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the



banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

### 3. Local Context

On 31<sup>st</sup> March 2020, the Police and Crime Commissioner had net investments of £15.5m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	<b>31.3.20 Actual £m</b>
General Fund CFR	30.4
Less: *Other debt liabilities	(9.9)
<b>Borrowing CFR</b>	<b>20.5</b>
External borrowing	14.9
<b>Internal borrowing</b>	<b>5.6</b>
Less: Usable reserves	(25.2)
Plus: Working capital	4.1
<b>Total investments</b>	<b>(15.5)</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Police and Crime Commissioner's total debt

The Police and Crime Commissioner pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31<sup>st</sup> March 2020 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	<b>31.3.19 Balance £m</b>	<b>Movement £m</b>	<b>31.3.20 Balance £m</b>	<b>31.3.20 Weighted Average Rate %</b>
Long-term borrowing	0.7	9.2	9.9	0.83
Short-term borrowing	16.0	(11.0)	5.0	0.34
<b>Total borrowing</b>	<b>16.7</b>	<b>(1.8)</b>	<b>14.9</b>	-
Long-term investments	0	0	0	-
Short-term investments	(3.5)	3.5	0	-
Cash and cash equivalents	(14.0)	(1.5)	(15.5)	0.25
<b>Total investments</b>	<b>(17.5)</b>	<b>2.0</b>	<b>(15.5)</b>	-
<b>Net borrowing / (investments)</b>	<b>(0.8)</b>	<b>0.2</b>	<b>(0.6)</b>	-

As a result of recent significant investment in the Capital Programme the level of reserves has reduced and the CFR has increased, hence the need for borrowing has increased.

### **Borrowing Update**

On 9th October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor’s March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB’s future direction. The consultation titled “Future Lending Terms” represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in “debt for yield” activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances. The consultation closed on 4th June 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22.

#### 4. Borrowing Strategy during the year

At 31<sup>st</sup> March 2020 the Police and Crime Commissioner held £14.9m of loans, (a decrease of £1.8m from 31<sup>st</sup> March 2019), as part of its strategy for funding previous [and current] years' capital programmes. Outstanding loans on 31<sup>st</sup> March are summarised in Table 3 below.

Table 3: Borrowing Position

	<b>31.3.19 Balance £m</b>	<b>Net Movement £m</b>	<b>31.3.20 Balance £m</b>	<b>31.3.20 Weighted Average Rate %</b>
Public Works Loan Board	0.7	9.2	9.9	1.25
Local authorities (short-term)	16.0	(11.0)	5.0	1.00
<b>Total borrowing</b>	<b>16.7</b>	<b>(1.8)</b>	<b>14.9</b>	-

The Police and Crime Commissioner's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Police and Crime Commissioner's long-term plans change being a secondary objective. The Police and Crime Commissioner's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing is considered prudent.

The Police and Crime Commissioner has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a combination of short-term borrowing and longer-term repayment loans (EIP loans). The Police and Crime Commissioner borrowed £10m longer-term fixed rate loans, details of which are below. These loans provide some longer-term certainty and stability to the debt portfolio.

Long-dated Loans borrowed	<b>Amount £m</b>	<b>Rate %</b>	<b>Period (Years)</b>
PWLB EIP Loan 1 (20/08/2019)	5.0	1.25	20
PWLB EIP Loan 2 (07/10/2019)	5.0	1.25	20
<b>Total borrowing</b>	<b>10.0</b>	<b>1.25</b>	<b>20</b>

#### 5. Other Debt Activity

After £0.7m repayment of prior years' Private Finance Initiative liabilities, total debt other than borrowing stood at £9.9m on 31<sup>st</sup> March 2020, taking total debt to £24.8m.

## 6. Treasury Investment Activity

The Police and Crime Commissioner holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Police and Crime Commissioner's investment balances ranged between £8.8m and £31.2m due to timing differences between income and expenditure. This breached the voluntary minimum of cash available overnight of £10.0m on 5 occasions (twice dipping down to £8.8m, once just above £9.5m and twice to £9.8m) which was done with the prior knowledge that balances would recover to over £10.0m within an acceptable timescale. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	<b>31.3.19 Balance £m</b>	<b>Net Movement £m</b>	<b>31.3.20 Balance £m</b>	<b>31.3.20 Income Return %</b>	<b>31.3.20 Weighted Average Maturity days</b>
Banks & building societies (unsecured) – including 31 day notice account with HSBC	14.0	1.5	15.5	n/a	14.6
Government (incl. local authorities)	3.5	(3.5)	0.0	n/a	-
<b>Total investments</b>	<b>17.5</b>	<b>(2.0)</b>	<b>15.5</b>	<b>0.25%</b>	<b>14.6</b>

Both the CIPFA Code and government guidance require the Police and Crime Commissioner to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Police and Crime Commissioner's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity (days)</b>	<b>Rate of Return %</b>
31.03.2019	3.95	AA-	80%	1	0.76%
31.03.2020	4.33	AA-	100%	16	0.55%
<b>Similar LAs</b>	<b>3.91</b>	<b>AA-</b>	<b>58%</b>	<b>46</b>	<b>0.71%</b>
<b>All LAs</b>	<b>4.03</b>	<b>AA-</b>	<b>56%</b>	<b>20</b>	<b>1.23%</b>

In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond

markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. Volatility measured by the VIX index was almost as high as during the global financial crisis of 2008/9 and evidenced in plummeting equity prices and the widening of corporate bond spreads, very close to rivalling those twelve years ago. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.

In November 2019 the Welsh Government published new Statutory Guidance on Local Government Investments to be effective from the 2020/21 financial year. This involves a complete re-write along the lines of the guidance issued last year by the Ministry of Housing, Communities and Local Government (MHCLG) for local authorities in England.

The definition of investments is widened to include “all of the financial and non-financial assets a local authority has invested money into primarily or partially for the purpose of generating a surplus including investment property” providing it has been made using the power to invest contained in the Local Government Act 2003. In addition, loans to wholly-owned companies or associates, to a joint venture, or to a third party count as investments, irrespective of the purpose or legal power used.

The Police and Crime Commissioner didn’t hold any non-treasury investments during 2019/20.

## 7. Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Police and Crime Commissioner’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 8 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	<b>2019/20 Maximum</b>	<b>31.3.20 Actual</b>	<b>2019/20 Operational Boundary</b>	<b>2019/20 Authorised Limit</b>	<b>Complied? Yes/No</b>
Borrowing	£14.9m	£14.9m	£20.4m	£22.4m	Yes
PFI and Finance Leases	£9.9m	£9.9m	£9.9m	£9.9m	Yes
<b>Total debt</b>	<b>£24.8m</b>	<b>£24.8m</b>	<b>£30.3m</b>	<b>£32.3m</b>	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

**Table 8: Investment Limits**

	<b>2019/20 Maximum</b>	<b>31.3.20 Actual</b>	<b>2019/20 Limit</b>	<b>Complied? Yes/No</b>
Any single organisation, except the UK Government	£5.2m	£0.01m	£7.0m	Yes
HSBC (being the Commissioner's bankers)	£15.5m	£15.5m	£10.0m	No

Of the £15.5m deposited on 31 March 2020 with HSBC, £7.0m was deposited in a 31 day notice account, thereby not being immediately available. The balance of £8.5m was kept in the HSBC current account, in order to ensure sufficient liquidity during the COVID 19 lockdown period. The latter balance held in the current account is not technically deemed to be an investment, but in the spirit of full disclosure this has been taken into account as part of this indicator.

### **Treasury Management Indicators**

The Police and Crime Commissioner measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Police and Crime Commissioner has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio.

	<b>31.3.20 Actual</b>	<b>2019/20 Minimum criteria</b>	<b>Complied?</b>
Portfolio average credit rating	AA-	A-	Yes

**Liquidity:** The Police and Crime Commissioner has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount available overnight set as a minimum of £10m.

	<b>31.3.20 Actual</b>	<b>2019/20 Minimum</b>	<b>Complied?</b>
Total cash available overnight	£15m	£8.8m	No *

*\* please see paragraph 6 above for explanation*

**Maturity Structure of Borrowing:** This indicator is set to control the Police and Crime Commissioner's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	<b>31.3.20 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
Under 12 months	100%	100%	0%	Yes
12 months and within 24 months	0%	100%	0%	Yes
24 months and within 5 years	0%	100%	0%	Yes
5 years and within 10 years	0%	100%	0%	Yes
10 years and above	0%	100%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Police and Crime Commissioner's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Actual principal invested beyond year end	£0m	£0m	£0m
Limit on principal invested beyond year end	£5m	£5m	£5m
Complied?	Yes	Yes	Yes

## 8. Other

IFRS 16: CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

**Joint Audit Committee  
Meeting Date: 30 July 2020**

<b>Title:</b>	<b>NORTH WALES POLICE GOVERNANCE PROJECT</b>
<b>Author:</b>	T/Chief Superintendent Corporate Services
<b>Purpose of the Report:</b>	To provide a further update to the Joint Audit Committee on progress in implementing the recommendations arising from the Governance Review.
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• A Code of Corporate Governance has been prepared which describes how the Commissioner and Chief Constable discharge their responsibilities and govern their organisations, separately and jointly, in accordance with the internationally recognised seven principles of good governance.</li> <li>• A Scheme of Delegation has been prepared to provide a framework for ensuring the business of North Wales Police is carried out lawfully, efficiently and effectively by setting out who has authority within the Force to exercise certain powers and functions on behalf of the Chief Constable.</li> <li>• A number of changes have been approved to the Force Governance Structure. These changes are designed to improve the effectiveness and efficiency of the Force Governance Structure.</li> <li>• A new corporate template and guidance for Terms of Reference have been prepared. The guidance also sets out the roles and responsibilities of the Chairperson, Vice-Chairperson, Secretariat, Members and Attendees.</li> </ul>
<b>Recommendations:</b>	The Joint Audit Committee is invited to note the progress achieved to date.
<b>Risk Register Impact:</b>	None
<b>Assurance Implications:</b>	The project aims to strengthen the governance of North Wales Police by ensuring the Force has efficient, effective and robust governance arrangements and structures in place. The project, therefore, directly contributes to the development and enhancement of assurance across the Force.
<b>Equality Impact:</b>	None
<b>Information exempt from disclosure:</b>	None



## North Wales Police Governance Project

### 1. Introduction

- 1.1 The purpose of this report is to provide a further update to the Joint Audit Committee on progress in implementing the recommendations arising from the Governance Review. An overview of the aim and objectives of the Governance Project, and a summary of the findings, conclusions and recommendations of the Governance Review have been provided in separate reports to the Joint Audit Committee on 28 November 2019 and 9 March 2020 respectively.
- 1.2 A high-level overview of progress against each recommendation is provided in **Appendix 1**. It should be noted that the Force agreed to prioritise the implementation of the recommendations relating to producing the Code of Corporate Governance; producing the Chief Constable's Scheme of Delegation; and refreshing the Force Governance Structure.

### 2. Code of Corporate Governance

- 2.1 A Code of Corporate Governance has been prepared which describes how the Commissioner and Chief Constable discharge their responsibilities and govern their organisations, separately and jointly, in accordance with the internationally recognised seven principles of good governance as set out in the *Delivering Good Governance in Local Government Framework* published by CIPFA / SOLACE in 2016.
- 2.2 The draft Code was prepared in collaboration with a broad range of colleagues across the Force and OPCC. The draft Code was considered by the Force's Senior Leadership Team on 25 February and the Joint Governance Board on 30 March. The draft Code was also shared with members of the Joint Audit Committee for review and comment. The Code has now been finalised, and the final draft has been reviewed by the Force Solicitor to ensure it is sufficiently robust and clear from a legal perspective.
- 2.3 The Code was formally approved by the Commissioner on 24<sup>th</sup> June 2020 and the Chief Constable on 13<sup>th</sup> May 2020. The Code is now available in both Welsh and English on the OPCC Website.

### 3. Chief Constable's Scheme of Delegation

- 3.1 The Scheme of Delegation has been prepared to provide a framework for ensuring the business of North Wales Police is carried out lawfully, efficiently and effectively by setting out who has authority within the Force to exercise certain powers and functions on behalf of the Chief Constable. The Scheme of Delegation, therefore, aims to ensure that decisions are not unnecessarily delayed and are taken at the appropriate level.
- 3.2 The Scheme of Delegation sets out the:
- Key Roles and Responsibilities of the Chief Constable;
  - Powers and Functions Reserved by the Chief Constable (including the matters which should be referred to the Chief Constable for a decision);
  - Powers and Functions Delegated to the Deputy Chief Constable, Assistant Chief Constable and Director of Finance & Resources (including the statutory functions of the Director of Finance & Resources as the Chief Constable's Chief Finance Officer);
  - Financial Delegations;
  - Other Delegated Powers and Functions (for example, in relation to granting, renewing and revoking firearm and shotgun certificates).

- 3.3 The Scheme of Delegation is based on examples sourced from other Forces, and has been developed in consultation with the Director of Finance & Resources, T/Chief Superintendent Corporate Services, Chair of the Assurance Board, Policy & Governance Officer and other colleagues to reflect the needs and circumstances of the Force. The Scheme of Delegation has also been reviewed by the Force Solicitor to ensure it is sufficiently robust and clear from a legal perspective.
- 3.4 The Scheme of Delegation has been progressed to draft form with the next step being to obtain approval from the Chief Officer Group so that it becomes formally adopted by the Chief Constable. A copy of the Scheme of Delegation will be made available to members of the Joint Audit Committee once approved.

#### **4. Refreshing the Force Governance Structure**

- 4.1 The Force Governance Structure has been refreshed following extensive consultation on draft proposals with colleagues across the Force and OPCC, as well as with members of the Joint Audit Committee. The draft proposals were considered by the Force's Senior Leadership Team on 2 June and the Joint Governance Board on 15 June.
- 4.2 At the time of writing a number of changes to the Force Governance Structure were due to be approved by the Force's Senior Leadership Team on 14<sup>th</sup> July 2020 in accordance with the agreed process for commissioning and decommissioning Force Governance meetings (see Section 5 below for further information relating to the process). These changes are designed to improve the effectiveness and efficiency of the Force Governance Structure. However, care has been taken to introduce changes that allow improvements to be made with the least amount of disruption. The main changes are outlined below:
- The refreshed structure clarifies the role of the different boards and sub-groups in relation to the governance and management of the Force by categorising them according to their primary function – Decision Making Boards; Governance and Assurance Boards; Planning and Delivery Boards; or, Force-wide Command Groups.
  - The refreshed structure clarifies communication and decision-making arrangements by showing the reporting, decision escalation and information sharing routes between the different boards.
  - The refreshed structure also includes new boards (e.g. Chief Officer Group, Strategic Recovery Board) and some boards have been reconfigured to better meet the business needs of the Force. Some meetings have also been renamed to achieve greater consistency across the structure.
- 4.3 Revised Terms of Reference have been approved for the Senior Management Board, Chief Officer Group and Senior Leadership Team, and work is currently underway to review (and refresh where appropriate) the Terms of Reference of the other high-level boards.

#### **5. Process for Commissioning and Decommissioning Force Governance Meetings**

- 5.1 A process has been prepared for commissioning and decommissioning meetings that fall within the Force's Governance Structure. The aim of this process is to maintain the integrity and effectiveness of the Force's governance structure by:

- Ensuring meetings are fully aligned to the vision, priorities and business needs of the Force,
- Preventing meetings from being established in an ad-hoc manner,
- Preventing meetings from being maintained unnecessarily,
- Allowing effective central oversight and co-ordination of Force meetings.

The processes was discussed and approved by the Joint Governance Board on 30 March.

## 6. Terms of Reference Template and Guidance

- 6.1 A new corporate template and guidance for Terms of Reference have been prepared. The guidance sets out the standard information that should be included under each section of the corporate template to ensure the Terms of Reference are clear, robust, well-specified and fit-for-purpose.
- 6.2 The guidance also sets out the roles and responsibilities of the Chairperson, Vice-Chairperson, Secretariat, Members and Attendees. The Terms of Reference of all meetings in the refreshed governance structure will be prepared in the new format in due course.

## 7. Project Board

- 7.1 The Project Board has continued to meet remotely each fortnight to review progress and shape the key areas of work outlined above. The members of the Project Board are:
- T/Chief Superintendent Corporate Services (Chair)
  - Director of Finance & Resources
  - Head of Business Intelligence
  - Interim Governance Manager (Project Manager until June)
  - Policy & Governance Officer (Project Manager from July)
- 7.2 The Interim Governance Manager left the Force at the end of June. Detailed handover arrangements were put in place prior to the Interim Governance Manager's departure to ensure all relevant information and remaining actions were transferred to the Policy & Governance Officer to enable a seamless transition and ensure continuity of approach.
- 7.3 The Project Board will continue to meet on a fortnightly basis to ensure the remaining actions are delivered in full.

## 8. Recommendation

- 8.1 The Joint Audit Committee is invited to note the progress achieved to date.

**Appendix 1**

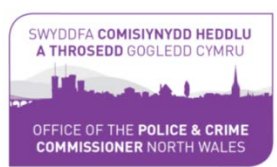
<b>Recommendation 1</b>	Implemented
<b>Recommendation 2</b>	Implemented
<b>Recommendation 3</b>	Implemented
<b>Recommendation 4</b>	Implemented
<b>Recommendation 5</b>	Implemented
<b>Recommendation 6</b>	Implemented
<b>Recommendation 7</b>	Implemented
<b>Recommendation 8</b>	Implemented
<b>Recommendation 9</b>	Implemented
<b>Recommendation 10</b>	Currently Being Implemented
<b>Recommendation 11</b>	Implemented
<b>Recommendation 12</b>	Currently Being Implemented
<b>Recommendation 13</b>	Scheduled For Implementation by March 2021
<b>Recommendation 14</b>	Currently Being Implemented
<b>Recommendation 15</b>	Currently Being Implemented
<b>Recommendation 16</b>	Scheduled For Implementation by March 2021
<b>Recommendation 17</b>	Scheduled For Implementation by March 2021
<b>Recommendation 18</b>	Currently Being Implemented
<b>Recommendation 19</b>	Currently Being Implemented
<b>Recommendation 20</b>	Scheduled For Implementation by March 2021
<b>Recommendation 21</b>	Scheduled For Implementation by March 2021
<b>Recommendation 22</b>	Scheduled For Implementation by March 2021
<b>Recommendation 23</b>	Scheduled For Implementation by March 2021
<b>Recommendation 24</b>	Implemented
<b>Recommendation 25</b>	Scheduled For Implementation by March 2021
<b>Recommendation 26</b>	Scheduled For Implementation by March 2021
<b>Recommendation 27</b>	Scheduled For Implementation by March 2021
<b>Recommendation 28</b>	Scheduled For Implementation by March 2021

## Joint Audit Committee

Meeting Date: 30/07/2020

<b>Title:</b>	Joint Governance Board
<b>Author:</b>	Kate Jackson, Chief Finance Officer
<b>Purpose of the report:</b>	Update
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> X Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>Plans to monitor the implementation of the revised governance and assurance arrangements</li> <li>Consideration of recommendations relating to corporate governance from TIAA, Audit Wales and HMICFRS</li> </ul>
<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>For members of the Joint Audit Committee to note the work of the Joint Governance Board.</li> <li>For members of the Joint Audit Committee to be aware that they have a standing invitation to attend Joint Governance Board, and that meeting papers and minutes will be provided to them on request.</li> <li>For members to review the Annual Governance Statement.</li> </ul>
<b>Risk register impact:</b>	The way risk is managed is integral to good governance and is considered within the Governance Framework
<b>Assurance implications:</b>	<p>The Joint Governance Board is to oversee changes to assurance arrangements following the Governance Review undertaken in 2019/20.</p> <p>The Joint Governance Board is to oversee any future changes to the Manual of Governance.</p>
<b>Equality Impact:</b>	None
<b>Information exempt from disclosure:</b>	None

## JOINT AUDIT COMMITTEE



30 July 2020

Joint Governance Board

Report by the Police and Crime Commissioner's Chief  
Finance Officer



### 1. Background

- 1.1. A Joint Governance Board was originally formed in 2014 to document the governance arrangements in both the Office of the Police and Crime Commissioner and North Wales Police Force.
- 1.2. The Board was suspended for a time during 2019, as it was intended for its functions to be undertaken by the Assurance Board. However, after further consideration, and following the Governance Review which took place during 2019-20, it was decided to re-establish the Joint Governance Board with revised Terms of Reference.

### 2. Recommendations

- 2.1. For members of the Joint Audit Committee to note the work of the Joint Governance Board.
- 2.2. For members of the Joint Audit Committee to be aware that they have a standing invitation to attend Joint Governance Board, and that meeting papers and minutes will be provided to them on request.
- 2.3. For members to review the Annual Governance Statement.

### 3. Work of the Joint Governance Board

- 3.1. In keeping with the new Terms of Reference, the Joint Governance Board is no longer required to consider the Governance Framework at every meeting. It is intended that this will be updated separately, and will be considered by the Joint Governance Board in the spring of each year, prior to the preparation of the draft Annual Governance Statements.

- 3.2. At the meeting held on 15 June 2020, the following were discussed:

#### 3.2.1. Terms of Reference

The Board agreed its Terms of Reference, with the addition of oversight of efficient and effective governance arrangements

#### 3.2.2 Governance Review

The Board was presented with the existing governance structure, and the revised structure recommended by the recent governance review.

As the new structure is implemented, progress will be monitored by the Joint Governance Board.

It is important to note that, although the new structure has been approved, there is a need to ensure that arrangements remain fit for purpose. As the organisation continues to develop, its governance needs may change, and therefore the proposed structure will need to be kept under continuous review. In addition, the Board’s responsibility to assess the efficiency and effectiveness arrangements may result in future changes to the proposed governance structure.

### 3.2.3 Audit recommendations

The board was presented with all recommendations and client briefing notes from Internal Audit, and progress towards implementing them.

It was resolved that in future this item would be focussed on those items impacting on governance. Therefore, the recommendations and actions arising from audits would be limited to those relevant to the Joint Governance Board. However, as client briefing notes are usually concerned with governance, these will be provided to the Joint Governance Board in full.

3.3. The next meeting will take place on 5 August 2020.

## 4. IMPLICATIONS

4.1	Equality	The Police and Crime Commissioner and Chief Constable operate with regard to the principles established within the Joint Equality Plan. Equality is considered within the Governance Framework.
4.2	Financial	The way finances are managed is integral to good governance. The financial policies and the monitoring of financial systems and performance are considered within the Governance Framework.
4.3	Legal	It is a legal requirement to publish Annual Governance Statements for the Police and Crime Commissioner and Chief Constable alongside the Statements of Accounts each year. One purpose of the Joint Governance Board is to record the governance activities for both corporations sole (and ensure any concerns are addressed) in order that the Annual Governance Statements can be prepared accurately and in a timely manner.
4.4	Community and Social	Environmental policies, outcomes and engagement (and the monitoring of these) are considered within the Governance

	Value	Framework. This includes the Wellbeing of Future Generations (Wales) Act 2017.
4.5	Risk	The way risk is managed is integral to good governance and is considered within the Governance Framework.
4.6	Police and Crime Plan	The objectives within the Police and Crime Plan are fundamental to both corporations sole. The way this is monitored is considered within the Governance Framework.

**Report Author**

Kate Jackson

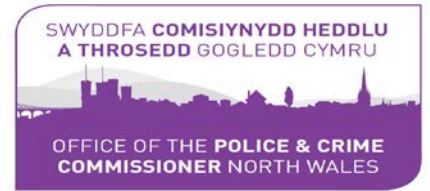
Chief Finance Officer, OPCC





**HEDDLU GOGLEDD CYMRU**  
Gogledd Cymru diogelach

**NORTH WALES POLICE**  
A safer North Wales



# Annual Report of the Joint Audit Committee

## 2019 / 20

# **Annual Report of the Joint Audit Committee – 2019 / 20**

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## Annual Report of the Joint Audit Committee - 2019/20

### Statement from Chair

As Committee Chair, I am pleased to present the Annual Report of the Joint Audit Committee ('the Committee'; 'the JAC') which covers activities for the period 1st April 2019 to 31st March 2020.

The JAC members who served for the year under review were:-

Name
Rachel Barber
John Cunliffe
Claire Hodson
Dianne Walker
Jim Illidge (resigned November 2019)

Jim Illidge served as Chair until stepping down in November 2019, at which point I took on the role.

The JAC's remit involves monitoring governance, controls assurance and risk management arrangements and for overseeing the production and approval of year-end financial reports and accounts for the North Wales Police ('NWP') and the Office of the Police & Crime Commissioner ('OPCC').

During the year the JAC received reports from the internal auditors ('TIAA') on their agreed programme of inspection and reviewed progress on actions identified in their reports. During 2019/20, there were no significant issues raised by the Committee to the OPCC or NWP Chief Constable ('NWPC').

As well as relying on the reports of the external auditors, the Welsh Audit Office, (the 'WAO') on the year end annual report and accounts for 18/19, the Committee considered all year-end documentation received from the Chief Financial Officer of the PCC and the Director of Finance & Operations of the North Wales Police ('the Finance Officers'); the Finance Officers in place during the year were:-

Term	Position	Name
1 April '19 – 31 March 2020	Chief Finance Officer - PCC	Kate Jackson
1 April '19 – 30 <sup>th</sup> October 2020	Director of Finance & Resources - NWP	Richard Muirhead
1 Nov '19 – 17 Nov '19	Head of Finance – Deputy Finance Officer	Guto Edwards
18 Nov '19 – 31 March 2020	Director of Finance & Resources - NWP	Seb Phillips

Examples of specific activity that the JAC has undertaken to facilitate an informed identification, review and assessment of any significant issues included:

- A review of the annual financial statements focusing particularly on accounting policies and practices, and significant adjustments resulting from audit for the 18/19 annual report

- Receiving assurance on compliance with the policy on standards of business conduct
- Receiving assurance on the process undertaken for the development of the annual report
- Stimulating the review and approach to risk management
- Instigating and reviewing the progress and outcomes of the Governance project to achieve an outcome of effective, efficient and robust governance arrangements and structures.

I would like to express my appreciation to all support staff and senior officers who have guided the JAC through its oversight. Also I thank the external and internal auditors, the teams from the WAO and TIAA respectively, for their reports and contributions to the meetings. This continued dialogue has helped develop the frameworks within the Office of the Police and Crime Commissioner and the Force.

**Rachel Barber**  
**Chair of Joint Audit Committee**

**April 2020**

## 1. Overview

The Joint Audit Committee is required to report annually to the Police & Crime Commissioner (PCC) and the NWP Chief Constable outlining the work it has undertaken during the year and, where necessary, highlight any areas of concern.

**Appendix 1** sets out the Committee's Terms of Reference. The Committee Membership consists of external, independent members.

The purpose of the JAC is to provide independent advice and recommendations to the PCC and NWPPC on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of OPCC and Force's governance, risk management and control frameworks, the financial reporting and annual governance process, and internal and external audit.

The JAC is responsible for independently reviewing the systems of governance, control, risk management and assurance. The activity of the Committee covers the whole of the organisation's governance agenda, and not just finance. The Committee also has a duty to monitor the integrity of the financial statements and related reporting.

During 2019-20 The Committee met in public on four occasions in accordance with its planned schedule:-

- 31 July 2019
- 23 September 2019
- 28 November 2019
- 9 March 2020

The External Auditors, Internal Auditors, Chief Executive, Chief Finance Officers all have a standing invitation to attend each meeting and do so on a regular basis. In addition, officers of the OPCC and Force invited to attend as appropriate to the agenda. Details of those invited to the Committee meetings are listed in **Appendix 2**.

The Committee Members may meet with the External and Internal auditors outside of the formal meeting schedule and an arrangement has been put in place for the Joint Audit Committee to meet with the auditors prior to each meeting without management or officers present.

## 2. Work of the Committee during 2019/20

Throughout 2019/20, the Committee reported on the nature and outcomes of its work to the Chief Constable and the Police & Crime Commissioner highlighting any areas that should be brought to their attention.

Some of the key development themes featured at meetings during the year included:

- Oversight of the Governance Review

- Further development of the Risk Assurance processes
- The framework of the Ethics Committee to support ethical decision making
- A review of the Fleet Management Strategy
- A review of the Procurement and Contract Management
- Involvement in the development of the internal audit programme, including collaborative audits
- A review of effectiveness of both the internal and external auditors.

**Appendix 3** sets out the programme of work in relation to the Internal Audit Plan undertaken in 2019/20 and the outcome of these audits, together with the planned schedule of audit for each of the years to March 2023.

A performance self-evaluation review was undertaken at the end of the JAC's first year between March and May 2019. Each JAC member and the Finance Officers had a structured discussion with the JAC Chair. Agreed improvements have been shared and allocated for action and a follow up exercise is being conducted at the date of this report.

### **3. Internal Audit**

Throughout the course of the year, the JAC is assisted in its work by the internal audit programme which evaluates and contributes to the improvement of governance, risk management and control processes. The internal audit activity provides objective examination, evaluation and reporting on the adequacy of the system of internal control. All internal audits within the annual programme align to the Assurance Framework strategic risks which support the provision of objective assurance against the management and control of the risks. The key findings of the internal audits are reported to the Joint Audit Committee including comments on the appropriateness of key controls in relation to the risks, the strength of the assurances provided for each risk as well as the suitability of the proposed additional risk-mitigating actions.

The Committee is required to ensure that there is an effective internal audit function. This is achieved through the review and approval of the risk based internal audit and anti-fraud plans. During the reporting period the internal audit function was provided by The Internal Audit Agency (TIAA) as part of a two year contract awarded in April 2019, with the option to extend the term for a further two years.

Internal audit also plays an important role in supporting the Chief Executive to ensure an effective control environment and has a clearly defined programme of work which includes advisory work in addition to audit.

The Committee continued to have oversight and input into the development of the annual internal audit programme. The Committee and other stakeholders, during 19/20, have suggested amendments to the programme which have been incorporated. Two audits were postponed during the year with the agreement of the JAC. It was confirmed that the Police and Crime Commissioner and the Chief Constable were content that these days, unused, were carried forward to 2020/21.

In March 2020 the Committee reviewed and approved the 2020/21 internal audit strategy and annual internal audit plan.

## 4. External Audit

The external audit contract is provided by the Welsh Audit Office (WAO) as appointed by the Auditor General for Wales. Declaration of auditor independence and objectivity was accepted by the Committee from the WAO.

There are clear policy guidelines in place around the provision of non-audit services by the External Auditor. Safeguards are in place which ensures the Committee is kept informed of the scope and value of additional work commissioned from the External Auditors. No additional non-audit work was undertaken by the External Auditors within the year.

The external auditors provided their updated view on their risk based audit approach and their key areas of focus in the year-end audit via a technical update and planning report, enabling the Joint Audit Committee to ask questions and seek advice as necessary. The key risks identified that might impact the financial statements in 2018/19 included the management override of controls.

The JAC has reviewed the work of External Audit and is satisfied that the external audit service is of a sufficiently high standard and that fees are appropriate and reasonable. The external audit fee for 2019/20 was £86,866 plus VAT.

At the March 2020 meeting the Committee reviewed and approved the Welsh Audit Office 2020/21 annual plan. The external audit fee will be £83,866. As the JAC prepares for the work of the Welsh Audit Office during 2020/21 the Welsh Audit Shared the key risks as follows: Management Override of controls, McCloud Judgement and impact on pensions and IFRS16 leases, post implementation risks.

## 5. Areas of Focus

In our role as JAC members, we undertake a number of activities outside of the formal scheduled meetings on matters relating to the Committee; such as meetings with the Chief Executive, Chief Financial Officers, Members of the Senior Management Team and Internal and External Auditors and specific committee meetings relevant to a Member's specialist areas of focus as set out below:

Name	Focus Area
Claire Hodson	Governance
Rachel Barber	Chair, Risk
John Cunliffe	IT Systems & cyber security
Dianne Walker, FCA	Financial reporting
Jim Illidge	Chair

## 6. Governance

The initial draft of the annual governance statement in respect of 2018-19 was received and discussed by the JAC at its meeting on 21 March 2019. Members of the JAC and Internal Audit commented on this draft in time for any amendments to be incorporated before its final presentation to the JAC at its meeting on 30 July 2019. The completed and final annual governance statement was received by the JAC at its meeting on 30<sup>th</sup> July 2019. The initial draft of the annual governance statement on respect of 2019/20 Statutory

Accounts was received and discussed at the meeting on 9<sup>th</sup> March 2020.

The Joint Governance Board met during 2019- 2020. Its purpose is to consider the overall joint governance framework and to ensure that the PCC and the CC fulfil their corporate governance responsibilities. The board membership comprises senior officers of both the OPCC and the Force and the Head of Internal Audit. Members of the JAC have attended some meetings of the board. The Chief Finance Officer reports to every JAC meeting on the work of the board. At the meeting of the Joint Governance Board on 3<sup>th</sup> August 2019 it was resolved to merge the work of this board with the work of North Wales Police Assurance Board with the intention to streamline the process. During 2019/20 a Governance Review project, instigated by the JAC, commenced to achieve an outcome of effective, efficient and robust governance arrangements and structures. As part of this review the Joint Governance Board was reinstated in March 2020. A number of recommendations were identified during the Governance Review, in developing and updating governance, which will be monitored by the Committee during 2020/21.

## **7. Risk Management & Controls**

A member of the JAC has been nominated to liaise with the Risk Manager ahead of each meeting to discuss in detail the risk management process and risk activity. Members of the JAC have access to all the OPCC and Force risk registers before their formal meetings.

The JAC concentrates on the combined strategic risk register and seeks reassurance that it is reasonable, comprehensive and dynamic. It also checks that residual risk is in line with both organisations' appetites for risk. At every JAC meeting members receive and review the risk management update on the organisational risk management process.

During the early part of 2019/20 the Committee raised continuing concerns about the OPCC and Forces approach to risk and assurance. This culminated in a further workshop session in December 2019 between the JAC, Chief Executive, and key staff. Key actions were agreed at this meeting and greater assurance was provided in January 2020 and formally at the meeting in March 2020. A number of next steps have been agreed with JAC to build on the risk framework, ensure resources are appropriately considered and embed the approach to risk management further into the culture to deliver improvements. This will be monitored by the Committee during 2020/21.

At the time of writing, the Coronavirus pandemic is with us. During 2020/21 JAC will review how this is considered in the management of risk in the short and long term.

## **8. Value for Money**

CIPFA guidance notes that it is the statutory responsibility of the Chief Constable to secure VFM, the Commissioner holds the Chief Constable to account for this responsibility. The role of JAC is to support both the Commissioner and Chief Constable to fulfil their responsibilities. The JAC role is to consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. JAC has asked for further information, at the 9<sup>th</sup> March meeting, on how Value for Money is achieved and if the Value for Money policy has been reviewed and updated. The response will be monitored by the Committee during 2020/21.



## 9. Financial Reporting

The JAC takes a holistic approach to discharging its accountability in relation to the Annual Report and Financial Statements.

Examples of specific activity that the JAC has undertaken to facilitate an informed identification, review and assessment of significant issues in relation to the 2018/19 Statutory Accounts include the following:

- the Finance Officers of the PCC and the Chief Constable are required to bring to the attention of the Committee, on an ongoing basis, any changes to accounting policy, significant financial reporting issues, estimates and judgements, and significant transactions, ensuring the annual accounts have been prepared in accordance with accounting policies;
- the Committee reviewed the integrity of the Financial Statements prior to approval by the Police and Crime Commissioner and the Chief Constable and compliance with accounting policy and any significant adjustments;
- the Committee received reports from the Chief Finance Officers detailing breaches and waivers of the procurement process and assurance on compliance with losses and special payments processes;
- the Committee received and reviewed the draft Annual Report and Financial Statements in preparation for their signature, in July 2019.
- the Committee reviewed the Annual Report (including the Annual Governance Statement), Annual Financial Statements and Quality Account to provide a consistency and reasonableness check;
- the Finance Officers presented to the Committee detailed papers on the annual accounts process during the year-end reporting period;
- the Committee considered the external auditor's ISA260 report and unmodified audit opinion. No differences of opinion with the key management judgements were highlighted;
- the Committee considered TIAA's opinion in relation to the overall adequacy and effectiveness of the organisation's risk management, control and governance processes, which provided overall Substantial Assurance.

From its work the JAC was able to conclude that:

- the Annual Report and Financial Statements represented a fair and reasonable view of the Police and Crime Commissioner's and Chief Constable's financial position;
- there were no significant accounting policy changes;
- the financial statements were compliant with financial reporting standards;
- areas requiring significant judgements in applying accounting policies had been reviewed;
- there were no significant or unusual transactions in the year.

## 10. Raising Concerns

The Force aims to create an environment where staff feels it is safe to raise and discuss concerns and weaknesses openly so that the appropriate responding action plans can be established and monitored through to implementation. During 2019/20, the JAC received assurance against the system for raising concerns as part of its schedule of business. This will continue into 2020/21.

## 11. 2020/21 Forward Plan and Meeting dates

During 2020/21 the JAC will deliver upon its Terms of reference and more specifically:

- Track and review progress of Governance review action plan
- Monitor the delivery of the agreed next steps to strengthen the approach to Risk management and controls. Management and embedding this into the culture of the organisation
- Review how value for money is measured and achieved.
- Deliver the action plan derived from its annual self-evaluation effectiveness review

The JAC has four meetings planned during 2020-21 financial year:-

- 30<sup>th</sup> July 2020
- 5<sup>th</sup> October 2020
- 10<sup>th</sup> December 2020
- March 2021 (date tbc)

## Appendix 1 – Terms of Reference

### Terms of Reference of the Joint Audit Committee

#### 1. Statement of purpose

- 1.1 The Joint Audit Committee is a key component of the corporate Governance of the Police and Crime Commissioner (PCC) and Chief Constable (CC) for North Wales. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the Joint Audit Committee is to provide independent advice and recommendation to the PCC and CC on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of the Office of the Police and Crime Commissioner's (OPCC) and Force's governance, risk management and control frameworks, the financial reporting and annual governance process, and internal and external audit.
- 1.3 These terms of reference summarise the core functions of the Committee in relation to the OPCC and to the Force and describe the protocols in place to enable it to operate independently, robustly and effectively.

#### 2. Governance, risk and control

- 2.1 The Committee will provide advice and recommendations to the PCC and CC in relation to the following areas:
  - 2.1.1 Review the corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
  - 2.1.2 Review the annual corporate governance statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
  - 2.1.3 Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  - 2.1.4 Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and Force.
  - 2.1.5 Monitor the effective development and operation of risk management, review the risk profile, and monitor the progress of the PCC and CC in addressing risk-related issues reported to them (individual Force operational risks are specifically excluded from the remit of the Joint Audit Committee).
  - 2.1.6 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
  - 2.1.7 Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources.
  - 2.1.8 To review the governance and assurance arrangements for significant partnerships or collaborations.
  - 2.1.9 The PCC nominate the Joint Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies.

#### 3. Internal Audit

- 3.1 The Committee will provide advice and guidance to the PCC and CC in relation to the following areas:

- 3.1.1 Annually review the internal audit charter and resources.
- 3.1.2 Review the internal audit plan and any proposed revisions to the internal audit plan.
- 3.1.3 Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
- 3.1.4 Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.
- 3.1.5 To consider the head of internal audit's statement of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
- 3.1.6 Consider summaries of internal audit reports and such detailed reports and the Committee may request from the PCC and Cc, including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.
- 3.1.7 Consider a report on the effectiveness of internal audit to support the Annual Governance Statement as required by the Accounts and Audit Regulations (Wales) 2014.
- 3.1.8 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To make recommendations on safeguards to limit such impairments and periodically review their operation.

#### **4. External audit**

- 4.1 The Committee will provide advice and recommendations to the PCC and CC in relation to the following areas:
  - 4.1.1 Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by the Auditor General or Wales Audit Office.
  - 4.1.2 Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
  - 4.1.3 Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance.
  - 4.1.4 Consider specific reports as agreed with the external auditor.
  - 4.1.5 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

#### **5. Financial Reporting**

- 5.1 The Committee will provide advice and recommendations to the PCC and CC in relation to the following areas:
  - 5.1.1 Review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC or CC.
  - 5.1.2 Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

#### **6. Accountability arrangements**

- 6.1 The Committee will:
  - 6.1.1 On a timely basis report to the PCC and CC with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
  - 6.1.2 Report to the PCC and CC on its findings, conclusions and recommendations

concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

6.1.3 Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and CC.

6.1.4 Publish an annual report of the work of the Committee.

## **7. General**

7.1 The Committee will comprise five independent members, who are independent of both the OPCC and Force.

7.2 The quorum for the Committee will be at least three independent members.

7.3 The committee will meet at least four times each year. Additional meetings may be arranged by exception to discuss matters of urgent concern.

## Appendix 2 – Officers Invited to Joint Audit Committee

<b>FORCE OFFICERS:</b>	
Seb Phillips	Director of Finance and Resources
Guto Edwards	Head of Finance
Helen Williams	Financial Control Accountant
T/Chief Super Simon Williams	Corporate Services
Super Paul Jones	Corporate Services
Anne Matthews	Finance and Budgets Officer
Chief Insp Andy Griffiths	Audit & Inspection Team
Darren Griffiths	Interim Governance Manger
<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER:</b>	
Stephen Hughes	Chief Executive Officer
Kate Jackson	Chief Finance Officer
Angharad Jones	PA to the Chief Executive
<b>By Invitation</b>	
Derwyn Owen	Wales Audit Office
Michelle Phoenix	Wales Audit Office
Helen Cargill	TIAA

## Appendix C: Progress against work plan 2019-2020

System	Planned Quarter	Days	Current Status	Comments
Central Command Unit	1	8	Final report issued 16 <sup>th</sup> May 2019	Presented to July 2019 JAC
Governance – Community Engagement	1	10	Final report issued 17 <sup>th</sup> July 2019.	Presented to September 2019 JAC
Fixed Assets	1	6	Final report issued 29 <sup>th</sup> July 2019	Presented to September 2019 JAC
Treasury Management	3	6	Final report issued 20 <sup>th</sup> September 2019	Presented to November 2019 JAC
Uncertainty Management – Mitigating Controls	3	4	Final report issued 30 <sup>th</sup> September 2019	Presented to November 2019 JAC
Budgetary Control	3	6	Final report issued 8 <sup>th</sup> October 2019	Presented to November 2019 JAC
General Ledger	3	6	Final report issued 13 <sup>th</sup> December 2019	
HR Management – Wellbeing Strategy	1	7	Final report issued 2 <sup>nd</sup> January 2020	
Capital Programme	4	8	Final report issued 6 <sup>th</sup> February 2020	
Governance – Corporate Communications	3 4	10	Planned 11 <sup>th</sup> November 2019 – rearranged to 23 <sup>rd</sup> March 2020	APM issued but audit delayed at Management's request to the end of quarter 4
Contract Management (Building / ICT / Services / Operational Project)	2	6	Audit postponed – 6 days to be transferred to contingency	Discussed with Management who have requested that the days are transferred to contingency due to the number of similar audits undertaken in the past year.
Collaborations	2	8	Audit postponed – 8 days to be transferred to contingency	This has been delayed at Management's request because of the WAO collaborative audit.
ICT Change Management	3 4	8	Planned 9 <sup>th</sup> December 2019 – now taking place w/c 10 <sup>th</sup> February 2020	Deferred due to non-availability of IT staff on proposed date. APM issued and new date confirmed.
Risk Management – Board Assurance	4	8	Planned 17 <sup>th</sup> February 2020	APM issued
Follow-up	4	6	Planned 2 <sup>nd</sup> March 2019	APM issued

System	Planned Quarter	Days	Current Status	Comments
Cyber Security	4	8	Planned 16 <sup>th</sup> March 2020	APM issued
Contingency	TBC	13	5 days – Rapid Access Prescribing	<b>A further 14 days to be added from audits postponed at client's request. Current balance is therefore 22 days.</b>
Liaison with Wales Audit Office	1-4	2		
Annual Planning	1	4	Final Collaborative Plan issued	
Annual Report	4	4		
Management, Planning & Joint Audit Committee Reporting/Support	1-4	22		
<b>Collaborative Audits</b>				
Estate Management - Delivery Lead Force – North Wales	2	6	Final report issued on 16 <sup>th</sup> January 2020	Lead Force – North Wales
Debtors Lead Force – Dyfed Powys	3	5	Final report issued to Lead Force on 18 <sup>th</sup> December 2019	Lead Force – Dyfed Powys
Payroll Lead Force – South Wales	3	6	Final report issued to Lead Force on 28 <sup>th</sup> January 2020	Lead force – South Wales - commencing 28 <sup>th</sup> November 2019 APM issued 14 <sup>th</sup> August 2019
Creditors Lead Force – Gwent Police	3	6	Draft report issued to Lead Force on 12 <sup>th</sup> December 2019	Lead force – Gwent Police – commencing 14 <sup>th</sup> October 2019
Collaborative Review – Single Online Home Lead Force – North Wales	3	5	Draft report issued 9 <sup>th</sup> January 2020	Lead force – North Wales – commencing 11 <sup>th</sup> November 2019 APM issued 2 <sup>nd</sup> October 2019

**KEY:**

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



## Planned Schedule of Audit for Each of the Years to March 2023

Review Area	Type	2020/21	2021/22	2022/23
<b>Governance</b>				
Key governance areas will be reviewed on a rotational basis each year such as strategic planning, strategic control, regulatory compliance, performance management, board assurance framework, partnership working, management of conflicts, health and safety, subsidiary governance and third party assurances.	Assurance	✓	✓	✓
Strategic Planning	Assurance		10	
Collaborations	Appraisal	10		
Strategic Resource Planning	Assurance	*		
Performance Management	Assurance		10	
Health and Safety Management	Assurance		10	
Corporate Communications	Assurance			10
Community Engagement	Assurance			10
<b>Risk</b>				
A robust risk management framework is critical to all organisations to ensure risks are effectively management and emerging risks identified our cyclical annual reviews will cover embedding risk, risk identification, risk mitigation and risk workshops.	Compliance / Appraisal	✓	✓	✓
Uncertainty Management – Mitigating Controls	Compliance	*	6	6
<b>Financial systems - Cost Control and Income Maximisation</b>				
Cost control, income maximisation and robust financial systems are essential to financial well-being of any organisation. Our reviews of key financial systems are designed to ensure compliance with PSIAS and help protect against potential frauds. We will carry out a high level review of key financial systems each year supported by a rolling programme of financial system reviews such as payments health check, income, payroll, budgetary control/management reporting, cost improvement planning and nominal ledger.	Assurance	✓	✓	✓
Budgetary Control	Assurance	*	6	6
Treasury Management	Assurance	4	4	4
General Ledger	Assurance	6	6	6
Payroll	Assurance	10	10	10
Creditors	Assurance	6	6	

Review Area	Type	2020/21	2021/22	2022/23
Debtors	Assurance		6	
Pensions	Assurance	8		8
Expenses and Additional Payments	Compliance	8		8
Capital Programme	Assurance		8	8
Counter Fraud	Compliance	6	6	6
Fixed Assets	Assurance		6	
<b>Workforce Management</b>				
The largest area of expenditure of the Force responsible for the delivery of the Police and Crime Plan and the Chief Constable's delivery plan. Audit work will consider the HR Strategy; Organisational Development and the Wellbeing Strategy.				
<ul style="list-style-type: none"> <li>Organisational Development</li> </ul>	Assurance	7		
<ul style="list-style-type: none"> <li>HR Strategy</li> </ul>	Assurance		10	
<ul style="list-style-type: none"> <li>Wellbeing and Strategy</li> </ul>	Assurance			10
<b>Estates and Fleet</b>				
Estates and the Fleet will receive audit coverage as key areas of expenditure for the Force.				
<ul style="list-style-type: none"> <li>Fleet Management - Strategy</li> </ul>	Appraisal			6
<ul style="list-style-type: none"> <li>Fleet Management - Repairs</li> </ul>	Compliance		5	
<ul style="list-style-type: none"> <li>Fleet Management - Fuel</li> </ul>	Compliance		6	6
<ul style="list-style-type: none"> <li>Estates Management – Delivery</li> </ul>	Compliance			6
<b>ICT</b>				
We will use our GUARD risk assessment to continue to review ICT risks and controls in place within the organisation. The rolling programme of reviews will include data protection, ICT governance, ICT management and business support, application reviews, network security, data quality and cyber security.				
<ul style="list-style-type: none"> <li>Infrastructure Review</li> </ul>	Appraisal	8		
<ul style="list-style-type: none"> <li>Data Assurance</li> </ul>	Assurance	8		

Review Area	Type	2020/21	2021/22	2022/23
• Network Security	Assurance		8	
• Data Protection	Compliance		6	
• Cyber Security	Assurance			8
• Change Management	Assurance	8		
<b>Follow Up</b>		✓	✓	✓
We will carry out a continuous follow up of internal audit recommendations utilising TIAA's client portal and recommendation tracker. Updates will be provided to each Committee.	Follow Up	6	6	6
Collaborative projects	Assurance	*	*	*
Eastern Area – Command Unit	Compliance	8		
Central Area – Command Unit	Compliance		8	
Western Area – Command Unit	Compliance			8
Property Subject to Charge	Compliance	6		6
Commissioner's Grants	Appraisal		-	6
Vetting	Appraisal	*	6	
<b>Collaborative Reviews</b>				
See Collaborative plan for details	Various	50	*	*
Contract Management	Assurance	6	6	6
<b>Management and Planning</b>				
Contingency – unused days carried forward from 2019/20	-	14		
Briefings	-			
Liaison with Wales Audit Office		*	*	*
Planning	-	4	4	4
Annual Report	-	4	4	4
Management	-	18	18	18
<b>Total Days</b>		<b>205</b>	<b>181</b>	<b>176</b>

## Welsh Police Collaborative Annual Plan – 2020/21

Quarter	Audits	Type	Days	Rationale and Scope
1	Vetting of Contractors	Compliance	12	<p><u>Risk</u> Fraud and Reputational risk.</p> <p><u>Rationale</u> Inherent risk area identified. Potential for further collaboration. The number of days will be split equally for this review.</p> <p><u>Scope</u> The review will consider the contractor vetting arrangements across all four Welsh forces and police and crime commissioners. The scope of the review will assess the arrangements in place, check compliance with the arrangements and compare across the organisations and identify areas for collaboration. The scope of the review does not include any other aspect of the vetting arrangements.</p> <p><u>Leads</u> Lead Force – North Wales</p>
2	Risk Management – Mitigating Controls	Compliance	28	<p><u>Risk</u> Selected risks.</p> <p><u>Rationale</u> Included in all Strategic Plan for 2020/21. The number of days will be split equally for this review.</p> <p><u>Scope</u> Two risks/uncertainties which are included in each the organisation's risk registers will be selected and the effectiveness of the identified controls will be reviewed. A comparison of the listed controls and assurance in each organisation will be undertaken. The scope of the review does not include consideration of all potential mitigating arrangements or their effectiveness in minimising the opportunities for the identified risks to occur.</p> <p><u>Leads</u> Lead Force – South Wales</p>

Quarter	Audits	Type	Days	Rationale and Scope
2	Collaborative Project Review – Office 365 (part of National Enabling programme)	Appraisal	30	<p><u>Risk</u> Financial and Reputational risk.</p> <p><u>Rationale</u> Pan Wales Project – Collaborative project review. The time allocation will be split according to the agreed apportionment.</p> <p><u>Scope</u> The review will appraise the effectiveness of the collaboration arrangements for the Office 365 Project. The scope of the review will also include the effectiveness of the Project Management arrangements.</p> <p><u>Leads</u> Lead Force – Gwent Police</p>
2	Collaborative Project Review – Early Action Together (Adverse Childhood Experiences ACES Project)	Appraisal	30	<p><u>Risk</u> Reputational risk.</p> <p><u>Rationale</u> Pan Wales Project – Collaborative project review. The time allocation will be split according to the agreed apportionment.</p> <p><u>Scope</u> The review will appraise the effectiveness of the collaboration arrangements for the Early Action Together Project. The scope of the review will also include the effectiveness of the Project Management arrangements. It was noted that the project is currently funded until 31 March 2020 and dependent on the funding decision there may be none of the current infrastructure left in place to support the audit. In the event of no further funding the audit will consider how the arrangements are embedded into the Force's own arrangements.</p> <p><u>Leads</u> Lead Force – North Wales</p>

Quarter	Audits	Type	Days	Rationale and Scope
3	Collaborative Budgetary Control	Assurance	30	<p><u>Risk</u> Financial risk.</p> <p><u>Rationale</u> Financial Risk, Collaborative Review included in each plan for 2020/21. The time allocation will be split according to the agreed apportionment.</p> <p><u>Scope</u> The review will consider the arrangements for financial control over the collaborative budget and project financial arrangements. The scope of the review will include consideration of the apportionment of collaborative costs, income generation and recharges apportionment.</p> <p><u>Leads</u> Lead Force – Dyfed Powys</p>
3	Procurement – Strategic Lead	Appraisal	20	<p><u>Risk</u> Financial and reputational risk.</p> <p><u>Rationale</u> New collaborative area, financial risk. The time allocation will be split according to the agreed apportionment.</p> <p><u>Scope</u> The review will appraise the effectiveness of the new arrangements for delivery of a strategic lead for procurement across the Welsh Police organisations. The detailed scope for the review will be agreed at the next Joint Finance and Resources Group meeting and will include the consistency of approach across the organisations, working links with other public sector bodies, social values and learning from each other. The scope of the review will not include any aspect of the local procurement arrangements in place and will not include compliance testing.</p> <p><u>Leads</u> Lead Force – South Wales</p>

Quarter	Audits	Type	Days	Rationale and Scope
3	Strategic Resource Planning	Appraisal	40	<p><u>Risk</u> Reputational risk.</p> <p><u>Rationale</u> Identified as collaborative area for all organisations at the Joint Finance and Resources Group. The time allocation will be split according to the agreed apportionment.</p> <p><u>Scope</u> The review will appraise the arrangements in place at each force for strategic resource planning, considering the national initiative for recruitment of additional Police Officers. The detailed scope of the review will be agreed at the next Joint Finance and Resources Group meeting. The scope of the review will not include the overall strategic planning and the links to the Police and Crime Plan.</p> <p><u>Leads</u> Lead Force – North Wales</p>
1 - 4	Liaison with Wales Audit Office (WAO)		8	This time is for liaison with the WAO as External Auditor. This will be undertaken jointly for all organisations.
	Dyfed Powys/South Wales and Gwent Only:			
3	Fleet Management – Fuel Usage	Compliance	18	<p><u>Risk</u> Financial risk</p> <p><u>Rationale</u> Joint fleet management arrangements. In Dyfed Powys, Gwent and South Wales plans for 2020/21. The time allocation will be split equally.</p> <p><u>Scope</u> The review will check compliance with the fuel usage arrangements in place at each organisation. Good practice and benchmarking across the three organisations will be will be shared as appropriate.</p> <p><u>Leads</u> Lead Force – Gwent</p>

Quarter	Audits	Type	Days	Rationale and Scope
	South Wales and Gwent Only			
3	General Ledger	Assurance	11	<p><u>Risk</u> Business risk</p> <p><u>Rationale</u> Key financial risk area completed annually. Time allocation: 5 Gwent, 6 South Wales</p> <p><u>Scope</u> The review considers the arrangements for providing an effective audit trail for data entered onto the general ledger and the appropriateness of the reports generated. The scope of the review does not extend to the budgetary control arrangements and bank reconciliations.</p> <p><u>Leads</u> Lead Force – Gwent</p>
3	Payroll	Assurance	14	<p><u>Risk</u> Business risk</p> <p><u>Rationale</u> Key financial risk area completed annually. Time allocation: 6 Gwent, 8 South Wales</p> <p><u>Scope</u> The review considers the arrangements for: the creation, amendment and deletion of payroll records; payment of allowances and pay awards; and payment of salaries. The scope of the review does not include determination of salary scales, appointment and removal of staff, severance payments or reimbursement of travel and subsistence expenses, or pension arrangements.</p> <p><u>Leads</u> Lead Force – South Wales</p>



Quarter	Audits	Type	Days	Rationale and Scope
3	Creditors	Assurance	12	<p><u>Risk</u> Business risk.</p> <p><u>Rationale</u> Key financial risk area completed annually. Time allocation: 6 Gwent, 6 South Wales.</p> <p><u>Scope</u> The review considers the arrangements for authorising and paying costs incurred by the organisation and the arrangement for control of the organisation's cheques and automated payments. The scope does not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed.</p> <p><u>Leads</u> Lead Force – South Wales</p>
3	Debtors	Assurance	11	<p><u>Risk</u> Business risk.</p> <p><u>Rationale</u> Key financial risk area completed annually. Time allocation: 6 Gwent, 5 South Wales.</p> <p><u>Scope</u> The review considers the raising of debtor accounts, collection of income, receipting, storage and banking of income received by the organisation. The scope of the review does not include identification of the activities giving rise to income for the organisation, the basis of calculating the rates to be charged or that all income receivable has been identified.</p> <p><u>Leads</u> Lead Force - Gwent</p>
Total Collaborative Days			264	198 pan Wales.
South Wales Police Allocation			93	Includes Fleet Usage and Two Force Finance review collaboration
North Wales Police Allocation			50	
Dyfed Powys Police Allocation			50	Includes Fleet Usage
Gwent Police Allocation			71	Includes Fleet Usage and Two Force Finance review collaboration

**Joint Audit Committee**

**Meeting Date: 30 July 2020**

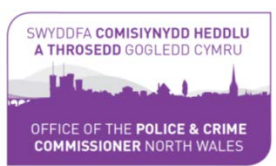
<b>Title:</b>	Proposed Work Programme
<b>Author:</b>	Chief Finance Officer
<b>Purpose of the report:</b>	To agree the work programme
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> X Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>ensures that the Committee is able to fulfil its duties in line with statutory deadlines, and that all of the Committee's responsibilities are discharged during the course of each year</li> </ul>
<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>For members of the Committee to note which items are subject to a statutory deadline, and therefore the meetings have been arranged to fulfil those requirements.</li> <li>For members of the Committee to consider additional content which might be presented at future meetings.</li> <li>For the future work programme to be brought to each meeting, outlining the work for the forthcoming twelve months on a rolling basis.</li> </ul>
<b>Risk register impact:</b>	One of the purposes of the Committee is to provide assurance to the Police and Crime Commissioner and the Chief Constable that financial and non-financial risks are being managed effectively.
<b>Assurance implications:</b>	
<b>Equality Impact:</b>	Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee. There is a <a href="#">Joint Equalities' Scheme</a> in place.
<b>Information exempt from disclosure:</b>	None.

## JOINT AUDIT COMMITTEE

30 July 2020

### PROPOSED WORK PROGRAMME

Report by the Chief Finance Officer



## 1. INTRODUCTION

- 1.1 The Joint Audit Committee has been provided with a programme of work annually during the July meeting. This ensures that the Committee is able to fulfil its duties in line with statutory deadlines, and that all of the Committee's responsibilities are discharged during the course of each year.
- 1.2 In addition, items to be presented to the Joint Audit Committee are identified by various means – by officers, staff or the Committee members. These have been added to the work programme on a less formal basis, and are added to the agenda as appropriate.
- 1.3 Policing is an ever-changing environment. While it remains vital that the Joint Audit Committee carry out certain tasks by key dates, presenting the work programme only once each year is inflexible, and does not document sufficiently when newly-identified items are to be presented to the committee. Therefore, at the meeting held on 9 March 2020, the Committee proposed that the work programme be discussed at the end of each meeting.
- 1.4 This report, therefore, includes the proposed work plan for the next twelve months. Where the meeting date has not yet been finalised, the month of the meeting is shown for guidance.

## 2. RECOMMENDATIONS

- 2.1 For members of the Committee to note which items are subject to a statutory deadline, and therefore the meetings have been arranged to fulfil those requirements.
- 2.2 For members of the Committee to consider additional content which might be presented at future meetings.
- 2.3 For the future work programme to be brought to each meeting, outlining the work for the forthcoming twelve months on a rolling basis.

### 3. WORK PROGRAMME

3.1 With the exception of items timetabled the meet statutory deadlines, the work programme is flexible; therefore, additional items may be added should a need arise.

3.2 There are a number of standing agenda items currently scheduled for each meeting. These will remain on the JAC agenda until further notice:

<b>Date of Meeting</b>	<b>Work Programme 2019/20</b>
All (Until Further Notice)	<ul style="list-style-type: none"> <li>• Business Update</li> <li>• HMICFRS Update</li> <li>• Internal Audit Update</li> <li>• Risk Update</li> <li>• Work Programme</li> </ul>

The work programme asides from the standing agenda items outlined above are as follows:

<b>Date of Meeting</b>	<b>Work Programme 2019/20</b>
5 October 2020	<ul style="list-style-type: none"> <li>• ISA 260 and signing of accounts</li> <li>• Governance update (incl. FM Code review)</li> <li>• Treasury Management Performance</li> <li>• Risk Deep dive: Covid-19 – TBC: Recovery and reset process</li> </ul>
10 December 2020	<ul style="list-style-type: none"> <li>• Audit Wales – Value for Money and Annual Audit Report (Management Letter)</li> <li>•</li> <li>• Risk strategy &amp; risk appetite statement – Annual review</li> <li>• Governance update</li> <li>• Force Management Statement</li> <li>• Ethics</li> <li>• Risk Deep dive: tbc</li> </ul>
March 2021	<ul style="list-style-type: none"> <li>• Capital Strategy (including the Treasury Management Strategy) <i>to be approved before 1 April 2021</i></li> <li>• Governance update – including draft AGS</li> <li>• Audit Wales – annual plan</li> <li>• Risk Deep dive: tbc</li> </ul>
Spring 2021	<ul style="list-style-type: none"> <li>• Welsh Joint Audit Committees annual event</li> </ul>
June 2021	<ul style="list-style-type: none"> <li>• 2020/21 accounts – technical briefing</li> </ul>

July 2021	<ul style="list-style-type: none"> <li>• ISA 260 and signing of accounts <i>to be signed by 31 July 2021</i></li> <li>• Governance update</li> <li>• Value for money</li> <li>• Annual report of JAC</li> <li>• Deep dive: tbc</li> </ul>
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#### 4. IMPLICATIONS

6.1	Equality	Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee. There is a <a href="#">Joint Equalities' Scheme</a> in place.
6.2	Financial	Planning the work for the forthcoming year reduces the need for ad-hoc meetings.
6.3	Legal	Legislation requires that a Joint Audit Committee be established. The functions of the Joint Audit Committee are summarised within its <a href="#">Terms of Reference</a> , which has been prepared in accordance with <i>Audit Committees\Practical Guidance for local Authorities and Police - 2018 Edition (CIPFA)</i> . This work programme takes account of the statutory and practical requirements to fulfil these obligations.
6.4	Community	Meeting papers and minutes are published, and the meetings are open for the public to attend.
6.5	Risk	One of the purposes of the Committee is to provide assurance to the Police and Crime Commissioner and the Chief Constable that financial and non-financial risks are being managed effectively.
6.6	Police and Crime Plan	The role of the Joint Audit Committee is part of the overall Police and Crime Plan.

#### Report Author:

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By e-mail

**Reference:** 1920DO

**Date issued:** 27 April 2020

Dear Arfon and Carl

### **Annual Audit Plan 2020 – Impact of COVID-19**

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices have closed. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on dealing with the COVID-19 national emergency.

### **Amendments to the audit plan issued 9 March 2020**

In light of the above, the audit plan issued to you on 9 March 2020 will need to be amended.

## Audit of accounts

### CIPFA/LASAAC Code of Accounting Practice

You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disappplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year. We understand that the authority is working towards preparing accounts in accordance with the full Code.

### Audit risks

As a result of the COVID-19 national emergency, we need to update our assessment of audit risks. The schedule at Annex A replaces Exhibit 2 in the 2020 audit plan.

### Potential audit issues

We are aware of concerns expressed by a number of local authorities about various aspects of the accounts.

Specific areas of concern raised with us include:

- Increased use of estimates. Due to the UK lockdown, authorities may be required to use more estimations for their accounts than in previous years. Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage.
- Asset valuations. Authorities have raised concerns about professional valuers applying disclaimers to their valuations and the potential impact on audit opinions. We will discuss these valuations and any necessary disclosures related to the valuations with you to ensure that the financial statements as a whole present a true and fair view.
- Pensions valuations. Due to the significant movements in investment markets, there are concerns over whether valuations provided by actuaries will be acceptable. Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS19 disclosures. We will review your actuary's IAS19 reports and our consulting actuary's assessment and discuss any concerns with you at an early stage.
- Removal of disclosure notes to simplify the accounts preparation process. We have been asked for our views on the potential for excluding disclosure notes where it is felt that the notes add limited value to the user of the accounts. Examples quoted include the remuneration notes and related

party disclosures. The remuneration notes are required by statute and therefore cannot be removed from the accounts. For the other notes, we draw your attention to the Code's provisions related to materiality. The Code sets out that omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor. The Authority should consider the Code's provisions related to materiality when reviewing the disclosure notes and discuss any concerns with the audit team. Further detail on materiality can be found in the following paragraphs in the Code: 1.7.1, 2.1.2.14, 3.3.2.4, 3.4.2.7 and 3.9.2.17.

If you have any further areas of concern, please raise these with your audit team as soon as possible. Our auditors will seek to be pragmatic about the timely provision of information and evidence and sympathetic in our verbal and written communication and reporting on issues brought about by current events.

However, we must continue to undertake our audit work in accordance with auditing standards. We will seek to obtain sufficient audit evidence required to form unqualified audit opinions on the financial statements.

#### Audit timetable

In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.

The Regulations require the publication of a notice where the authority does not expect to achieve the dates specified by the Regulations. I have included further detail in Annex B and example notices in Annex C that the Authority may wish to consider using.

The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply e.g. public access to the authority's accounting records.

Therefore, the audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.

The audit team will issue an audit notice in due course setting out the appointed date.

This may mean that there is a delay before we can issue our audit opinion.

We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can. It will be vital that this engagement continues over the next few months, against what will



doubtless be a fast-changing backdrop. My assessment is that our ability to meet revised audit completion dates will mainly depend on:

- the extent to which remote working and auditing is possible if the current lockdown restrictions are not lifted;
- the quality of the draft accounts and supporting working papers made available to us (driven in part by the extent of any pre-audit management reviews of that material);
- the continued availability of audited body staff to respond promptly to audit queries (given the potential pressures of sickness absences, carer and back-filling responsibilities etc);
- the continued availability of Audit Wales staff to conduct the audit work; and
- the ability of those charged with governance to convene (potentially on a virtual basis) to approve accounts.

We will of course be keeping a very close eye on all of these factors in the coming weeks and exploring options to overcome potential barriers to timely completion wherever possible, and will keep you and your team fully up to speed with any developments in this area.

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact one of our audit team.

Yours sincerely

Derwyn Owen  
Engagement Director

## Annex A: Amended financial statement audit risks

The following exhibit replaces Exhibit 2 in the audit plan issued on 9 March 2020.

Financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>McCloud judgement</b></p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on pension liabilities disclosed by the Authority.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government Pensions Scheme.</p>

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Impact of COVID-19 – general risks</b></p> <p>The COVID-19 national emergency is likely to have a significant impact on the Authority and its accounts production process. Potential risks include:</p> <p>Subsequent events. The Authority is at present, unlikely to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor’s report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.</p> <p>Use of estimates. The uncertainties and delays caused by the UK wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts</p>	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <p>We will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework.</p> <p>We will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue.</p> <p>We will ensure that appropriate changes have been made to recognise any enhanced uncertainty in the calculation of accounting estimates (including impairment calculations).</p> <p>We will also consider whether assumptions are appropriate in the circumstances and</p> <p>We will adopt a greater focus on the following areas:</p> <ul style="list-style-type: none"> <li>○ The financial statement closing process (in particular journal entries and other adjustments made).</li> <li>○ The auditor’s evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.</li> </ul>
<p>Our initial audit plan included reference to the expected introduction of IFRS 16 - Leases in 2020-21. This has now been deferred until 2021-22.</p>	<p>My team will continue to keep the position under review.</p>

## **Annex B: Requirements of the Accounts and Audit (Wales) Regulations 2014**

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

### Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

### Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].”

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

### Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in [Annex C](#).

## **Annex C: Accounts and Audit (Wales) Regulations 2014 – suggested notice Police and Crime Commissioner for North Wales**

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of the Police and Crime Commissioner for North Wales / Chief Constable of North Wales Police sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 31 May 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the Police and Crime Commissioner / Chief Constable has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of the Police and Crime Commissioner for North Wales / Chief Constable of North Wales Police sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 31 May 2020.

The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, the Police and Crime Commissioner for North Wales / Chief Constable of North Wales Police approve and publish the audited statement of accounts. The Regulations required that this be completed by 31 July 2020.

Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.

OR

Due to the COVID-19 outbreak, the Police and Crime Commissioner for North Wales / the Chief Constable of North Wales Police has not met to approve the statement of accounts.

OR

Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.