

**HEDDLU
GOGLEDD CYMRU
NORTH WALES
POLICE**

JOINT AUDIT COMMITTEE

**9.30am – 30 March 2021
Online by Microsoft Teams**

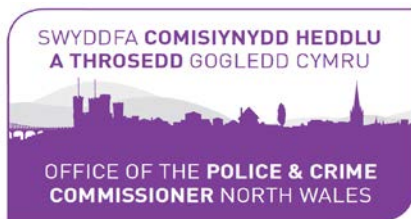
AGENDA

Attendees:

JOINT AUDIT COMMITTEE:	
Rachel Barber - Chair John Cunliffe	Claire Hodson Dianne Walker
FORCE OFFICERS:	
Seb Phillips – Director of Finance & Resources Guto Edwards - Head of Finance Helen Williams - Financial Control Accountant Anne Matthews – Finance & Budgets Officer	T/Chief Superintendent Sian Beck – Corporate Services James Sutton – Head of Business Intelligence/Chair of Assurance Board
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 Mike Whiteley, Audit Wales	Michelle Phoenix, Audit Wales

	Standing Items		Purpose	Page	Time
141	Apologies	Chair			
142	Minutes of the last meeting The Chair shall propose that the minutes of the meeting held on 10 December 2020.	Chair		3-9	5 Mins
143	Actions Log	Chair		10-34	15 Mins
	Standing Items				
144	Organisational Update	Chief Executive Officer & Director Finance and Resources	Information	35-40	10 Mins

145	HMIC Update	Chief Superintendent Corporate Services	Information	41	5 Mins
146	Internal Audit a. Internal Audit Overview – Management Report (incl. summary of Follow-up Review) b. Internal Audit SICA 2020-21	a Director Finance & Resources / Budget Officer b– TIAA Audit Manager	Assurance	42-53 54-56	10 Mins
147	Risk Update - Risk Process Development & Current Risk Register	Chief Superintendent Corporate Services	Assurance	66-75	10 Mins
148	Work Programme for 2020/21	Director Finance and Resources and Chief Finance Officer	Decision	76-80	5 Mins
	Substantive Items				
149	Capital Strategy (including the Treasury Management Strategy)	Director of Finance and Resources	Information	81-111	15 mins
150	Financial Management Code – Compliance	Head of Finance	Assurance/ Information	112-125	10 mins
151	Governance Update (including draft AGS; Audit Wales Annual Plan, report from Joint Governance Board)	T/Super Corporate Services	Information Discussion	126-130	 10 minutes
152	JAC Annual Review/ Annual Report (Draft)	Chair	Discussion	Oral	5 minutes
153	Annual Review of Risk strategy & risk appetite	Director of Finance and Resources/Head of Business Intelligence	Discussion	131-135	15 minutes
154	Annual Statement of Accounts – outlook - Combined Audit Plan (Audit Wales)	Director of Finance and Resources / Chief Finance Officer	Information	Oral 136-149	5 minutes
155	Membership	Chair	Information	Oral	5 minutes
156	AOB (Advise the chair ahead of the meeting)				
	DATES OF FUTURE MEETINGS PROV 29 th July 2021 PROV 6 th October 2021 PROV 8 th December 2021				
		TOTAL			2 hours



**HEDDLU
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POLICE**

JOINT AUDIT COMMITTEE

10 DECEMBER 2020

PRESENT

JOINT AUDIT COMMITTEE:

Rachel Barber - Chair
John Cunliffe
Claire Hodson

FORCE OFFICERS:

Seb Phillips – Director of Finance & Resources
Guto Edwards - Head of Finance
Helen Williams - Financial Control Accountant
Anne Matthews – Finance & Budgets Officer
T/Chief Superintendent Sian Beck – Corporate Services
James Sutton – Head of Business Intelligence/Chair of Assurance Board
Greg George, Head Diversity Development (Item 137 only)
Kerrie Ambrose, Head of Change and Collaboration/Interim Chair of Ethics Committee (Item 137 only)

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

Jonathan Maddock, TIAA
Mike Whiteley, Audit Wales

126. APOLOGIES AND DECLARATIONS OF INTEREST

Apologies: Dianne Walker - JAC Member, Helen Cargill – Tiaa, Michelle Phoenix – Audit Wales.

There were no declarations of interest.

127. MINUTES AND ACTION LOG

The minutes of the meeting held on 5 October 2020 were agreed as a true record of the meeting.

128. ACTION LOG

Action Log was updated and will be circulated with the minutes. Actions recommended closed and agreed closed were: 103d, 110, 111, 115, 118a, 118b, 118c, 118e, 119a, 119b, 119c, 120, 123a, 123b, 123c, 124, 125a, 125b.

129. ORGANISATION UPDATE

The Joint Audit Committee noted the report from the Office of the Police and Crime Commissioner and North Wales Police which provided an update on the work undertaken since the last Joint Audit Committee meeting in July.

Office of the Police and Crime Commissioner

Chief Executive Officer explained that they were aware that the review into Part 1 of the role of Police and Crime Commissioner had been concluded and the report was on Prime Minister's desk. Unlikely to receive outcomes this year but no radical changes identified but may feed into Part 2 of the Review.

North Wales Police

Director of Finance and Resources updated Joint Audit Members on the Spending Review announcements recently made by the Chancellor on the 25th November. This is a one year settlement and not the three which was expected and is a likely flat-cash settlement. A Pay Freeze on all salaries apart from the lowest paid will come into effect from 1 September 2021 which means an inflationary rise will only be payable for 5 months of FY21-22.

An extra allocation has been announced for Operation Uplift and assuming the same allocation basis as phase 1, North Wales Police is likely to receive around an additional 62 officers but no detail is received as yet. The force is hopeful that this information/clarification will be received on 17 December 2020.

North Wales Police and the Office of the Police and Crime Commissioner are working currently to set the budget for the next financial year with a £15 limit on Precept increases being announced in the Chancellor's statement.

A number of Covid 19 cases were recently reported within the Colwyn Bay police station with the Force engaging with Environmental Health officers accordingly. More generally, Covid-19 remains a key issue for the Force.

Clarification was requested by members to the roles to be undertaken by Uplift Officers and whether a consequential increase in support was needed. The Director of Finance and Resources explained that new officers will be allocated to the most impactful areas of policing with the allocation of these officers being a key strand of the strategic planning process. Preventative work streams were an example of where officers could be allocated but there is flexibility to ensure

officers are allocated to the areas of greatest need. It was also noted that new technologies are being looked into to try and mitigate some of the need for additional backroom staff.

Chair noted that there seems to be a considerable underspend in capital projections. It was noted that much is down to differences in timings but the Force will continue to monitor the position. The underspends were not posing a significant risk and were not reflected as a risk on the Force risk register at present but this would also remain an area for review.

130. HMICFRS UPDATES

Joint Audit Committee noted the update provided within the paper.

Notification has been received from HMICFRS that the Use and Management of Sensitive Intelligence audit will be undertaken by remote audit in January/February 2021. North Wales will be one of six forces inspected.

Rape inspection was undertaken and positive feedback received. T/Chief Superintendent Corporate Services has spoken to HMIC Force lead and discussed areas of concern for North Wales Police and described the Force as being in a good position.

Peel Inspection is scheduled for 2021 and only area of concern at present being Stop Search.

Audit Member asked that the number of acronyms included within the paper in future be less as not always clear of meaning.

ACTION 130	T/Chief Superintendent Corporate Service to ensure fewer acronyms used within HMICFRS update in future.
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Chief Executive Officer reported that a meeting was held with Senior Presiding Judges for Wales where it was reported that trials will be back to pre-Covid levels if not higher next week. It was reported that Wales are in a much stronger position than England and that all partners had worked together well to ensure this outcome.

131. INTERNAL AUDIT

a. INTERNAL AUDIT OVERVIEW – MANAGEMENT REPORT

Joint Audit Committee noted the paper which provides an overview of internal controls activity within North Wales Police.

Six audits have been completed with five receiving substantial and one receiving reasonable assurance.

Further dialogue is taking place with regards to two audits at draft report stage with the hope that these will also be finalised soon.

Joint Audit Member noted that the Single on-line home website is still to be fully populated. Director of Finance and Resources stated services are live and this should be the primary force website going forward. Work is on-going to fully populate but main areas are complete and rolled-out.

Chair noted that to ensure maximum assurance received and less duplication with the Internal Audit that an off-line meeting would be useful to discuss.

ACTION 131a	Director of Finance and Resources to meet with Chair Joint Audit Committee to discuss/progress report and avoid duplication with Internal Audit report in future.
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b. INTERNAL AUDIT SICA 2020-21

Joint Audit Committee noted the update provided within the paper which provides an update on progress against the 2020-21 Annual Plan.

Work on the Annual Plan is progressing well with Finance and Budget's Officer's assistance. Changes have been made to the Annual Plan with alternative areas for inspection identified and taken forward. All audits have now been scheduled and on target. Full day allocation for 2020-21 has now been filled.

132. **RISK UPDATE**

Joint Audit Committee noted the update provided within the Risk Update paper as at 30 October 2020.

Chair Audit Committee noted her thanks to Joint Audit Risk Lead and officers for their hard work in refining this report.

It was noted that the Risk & Business Continuity Lead is currently on long-term sickness absence and that this role was being partly covered by the Governance & Policy Officer but that some areas of work have been de-prioritised. An Inspector from the Operational Planning Department will be working with the team for a few months which will increase capacity within the business continuity part of the team.

All risk documents have been shared with members on the Google Drive and are updated on a monthly basis. Progress on actions table are also included within the report.

An additional risk has been highlighted within the last week and has been placed on the Risk Register for progression.

133. **TREASURY MANAGEMENT – FY 20-21 6 MONTH UPDATE**

Joint Audit Committee noted the semi-annual Treasury Management report provided for information.

Head of Finance reported that breaches within own banking limits had taken place but were now resolved and that the investment rates are currently very low and lower than previously forecasted. Moving into the New Year the team will be looking at all investments and will keep monitoring the interest rates.

Joint Audit Members noted that the information contained within the paper is helpful but that the paper is difficult to understand and stated that a simplified version is needed.

Head of Finance reported that the paper has to report on certain areas and that the report is written using the CIPFA template but recognised that it is a technical report. When the next paper is presented he will attempt to provide a simplified summary at the beginning of the report.

Joint Audit Members asked that a development session on this area of work is scheduled and asked that the Chief Finance Officer incorporate into the scheduled development session for members.

ACTION 133	Chief Finance Officer to schedule a development session on Treasury Management into the scheduled development sessions.
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134. VALUE FOR MONEY UPDATE AND ANNUAL AUDIT REPORT

Joint Audit Committee members noted the assurance given within the paper that the key financial responsibilities relating to financial reporting and use of resources had been met by both North Wales Police and Office of the Police and Crime Commissioner.

The Statement of Accounts of Accounts for both organisations have now been completed and signed, certificate issued and accounts closed for 2019-20.

135. REQUEST FOR SUPPORT ON DATA ANALYTICS

Audit Committee Chair noted the request for support on data analytics and questioned Audit Wales on the value this will bring and the extra burden that it will place on North Wales Police staff.

Director Finance and Resources stated that they supported this request in principle but there are some areas of practicality which need to be investigated further e.g. in regards to data security.

Audit Wales explained that the work will be undertaken by in-house staff only and that no external partners/organisations will be used by Audit Wales to carry out this work. It was explained that Audit Wales already work with the NHS in Wales.

Joint Audit member questioned how much additional work would be involved for officers as the document implies that there will be increased sharing of data. This seems to create efficiencies for Wales Audit but an additional burden on North Wales Police. If this is the case, the member asked whether there would be a decrease in fees, which was currently out for consultation. It was also asked where data would be kept given the need to ensure confidentiality.

Director of Finance and Resources noted that the assurance of data will take some work and the Chief Information Officer's view has been requested regarding the sharing of information/data.

Chair asked that this paper is brought back to the next Joint Audit Committee meeting in March so that questions raised could be answered fully.

ACTION 135	Wales Audit to bring further paper to March Joint Audit Committee meeting and data analytics colleague from Audit Wales to also attend to explain further what actions will be required.
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136. LEGAL REPORT

Joint Audit Committee noted the paper which provides an overview of legal activity within the Force during the previous six months.

Director Finance and Resources requested that the Force Solicitor attends when paper next presented as he would be better placed to answer any questions raised and add value to any discussions. Joint Audit Committee confirmed that this would be of benefit.

ACTION 136	Director of Finance and Resources to invite Force Solicitor to July Joint Audit Committee meeting to discuss the Legal Report.
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137. ETHICS

Joint Audit Committee members noted the update provided by the Interim Chair of the Ethics Committee and Head of Diversity Unit on the work of the Ethics Committee and how this work is progressing on a local, regional and national level.

Joint Audit Committee members questioned the membership of the board and would welcome sight of the current membership to gauge wider experiences and whether any members have a technology expertise.

Interim Chair of Ethics Committee has discussed membership with incoming Chair to ensure wide, varied and inclusive membership but will report feedback from this meeting to incoming Chair.

ACTION 137a	Interim Chair of Ethics Committee to discuss feedback from Joint Audit Committee with new Chair.
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Chair Audit Committee requested further update on the work of the Ethics Committee and future plans once new Chair has settled in post and asked that Governance Lead within the Audit Committee is introduced to the Chair to share experiences.

ACTION 137b	Further update to Joint Audit Committee on work of Committee once new Chair has settled in post and arrange a meeting between new Chair and Governance Lead to share experiences.
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138. GOVERNANCE UPDATE

Joint Audit Committee noted the work of the Governance Board thus far.

Chief Finance Officer reported that work is progressing well and thanked Joint Audit Committee members for their continued support.

139. WORK PROGRAMME FOR 2020/21

Joint Audit Committee noted the updated work programme and asked that Value for Money be included.

Joint Audit Committee member requested that the Work Programme reflect the risks of the organisation and whether the work programme is allowing time to look at these risks, ie. individual risks and how the Committee receives assurance that static risks are reviewed.

Joint Audit Committee Risk Lead suggested that this be discussed at a separate workshop where strategic risks could be discussed.

ACTION 139a	Chief Finance Officer to arrange a workshop to discuss risk and how static risks could be better incorporated into the meeting agenda.
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Joint Audit Member noted that the Cyber Security Deep Dive was scheduled for the July meeting but asked that consideration be given to moving this item to the March meeting. Director Finance and Resources to take away and discuss with colleagues.

ACTION 139b	Director of Finance and Resources to discuss the moving of the Cyber Security Deep Dive item to the March Joint Audit Committee meeting.
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Joint Audit Committee asked that their Terms of Reference be reviewed and benchmarked against other Joint Audit Committees. Chief Finance Officer agreed to this request, and reported that this work is currently underway in preparing a draft in line with CIPFA guidance for the next Governance Board meeting. Once approved by the Governance Board they will be brought to the Joint Audit Committee meeting in March/July.

ACTION 139c	Chief Finance Officer to review the Joint Audit Committee Terms of Reference and once agreed at Joint Governance Board they be brought to the March/July Joint Audit Committee meeting.
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140. ANY OTHER BUSINESS

AOB1 – Chair, Members of Joint Audit Committee and Director of Finance and Resources would like to express thanks to T/Chief Superintendent Corporate Services, Simon Williams for all his support and contribution to the Joint Audit Committee.

The next Joint Audit Committee meeting will be held on 30 March 2021 at 9.30am either in Conference Room 1, FHQ Colwyn Bay or by Microsoft Teams.

**JOINT AUDIT COMMITTEE
ACTION LOG from 30.03.2021**

	Open
	Closed
	Deferred

New/Open actions from March 2020

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
	56a	Ethics - 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. 19/10/2020 – Confirm no further update received.	
	56b	Ethics – 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	28/11/2019 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	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>with Joint Audit Committee.</p> <p>30/07/2020 – Flow chart very simplistic and does not explain fully how process works. T/Chief Supt Corporate Services reported Ethics Committee currently being refreshed with new Chair and membership. This will be further explored when new Chair in place.</p> <p>23/09/2020 – The simple flow chart has been shared and represents our current flow as to how ethical dilemmas find their way to the Ethics Committee and how they are resolved and fed back into the Senior Leadership Team to inform practice/process. The flow will be reviewed when the Independent Chair commences her work. There has been progress with the Independent Chair passing Vetting week commencing 21/09/20. Request for action to be pending to allow for the Independent Chair to start and to review processes. T/Ch Supt Simon Williams.</p> <p>11/01/2020 – new Chair in post and will be Chairing next Ethics Committee meeting.</p> <p>11/03/2021 – Process flow agreed at Sept 2020 Ethics committee and shared with New Ethics Chair, attached.</p> <p>Recommend Action Closed.</p>	
	59h	Internal Audit - 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	<p>The review took place in preparation for the introduction of GDPR and the actions are completed.</p> <p>28/11/2019</p> <p>Re-open. Director of Finance and Resources will look into this report back to Joint Audit Committee.</p> <p>04/03/2020</p> <p>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:</p> <p>237156 Discharging the action will be dependent on the delivery of the National Enablement Programme (currently</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>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.</p> <p>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.</p> <p>The proposal is to close this action on the action log and track progress via the Internal Audit Standing agenda item.</p> <p>09/03/2020</p> <p>DFR to consider whether IS&C team contact the ICO to explore possible avenues for assurance of GDPR compliance.</p> <p>02/06/2020 – Meeting with CIO and Head of Information Standards and Compliance scheduled post March JAC but cancelled due to Covid. Meeting to finalise view on proposed next steps for June.</p> <p>30/07/2020</p> <p>The above meetings have been undertaken and the prospect of inviting the ICO for audit discussed. The consensus of the management team was that whilst we recognise this is a critical area, we feel we are better focussed progressing our own programme of work around compliance rather than consuming resource associated with an ICO audit being undertaken at our request.</p> <p>JAC asked when all work complete that ICO are invited as will give different insight into gaps which exist.</p> <p>17/09/20</p> <p>DFR & JAC Risk lead discussed & agreed to use TIAA audit for Sept as an initial route for providing further assurance. TOR developed with audit lead as a result and findings will then be used to determine appropriate next steps.</p> <p>19/10/2020</p> <p>TIAA have completed an internal audit review of issues. Director of Finance and Resources will update Joint Audit Committee member when review report received.</p> <p>11/11/2020 Next steps being agreed with Risk lead and PA</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>Director of Finance and Resources setting up meeting. 20/11/2020</p> <p>ICO FOI Healthcheck completed and shared with JAC Risk lead following Oct20 JAC meeting. Draft report received with points of clarity & accuracy currently being queried. 10.12.2020 Internal Audit Data Assurance audit completed and rated as reasonable. Clarity sought on issues raised and final draft will be issued as substantial assurance. Next steps is to share with JAC risk lead to progress.</p> <p>09/02/2021 DFR & JAC Risk lead discussed TIAA Data Assurance audit of Substantial. Agreed that this provided additional assurance and next steps should be: 1). Assess Data Protection compliance risk and associated action plan.</p> <p>02/03/2021 Data Protection Compliance risk created. Given mitigations in place and recent Substantial TIAA audit, invitation to ICO does not form part of the proposed action plan.</p>	
	91b	Internal Audit - Force Management Statements to be placed on the Joint Governance board and the July Joint Audit Committee Agenda	By July Meeting	Chief Finance Officer	<p>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.</p> <p>30/07/2020 CFO to update work programme to reflect change from December 2020 to March 2021.</p> <p>12.02.21 – Action re-opened to monitor progress.</p> <p>12.02.21 – Timelines mean that the draft FMS will be completed post March meeting. Update to be provided with the FMS to feature in New Committee Member inductions, July JAC Agenda or both. Head of Strategic Planning Unit to update on progress prior to March meeting.</p> <p>01.03.2021 - As part of the planning process leading to budget setting, every area in the force completed a Business Plan articulating their understanding of current and future demand, capacity and capability readiness. These plans along with the outcomes of decisions taken at budget setting will form our FMS submission this year. In addition a gap analysis has been undertaken to allow us to</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>track the impact of our resourcing decisions. Statistical forecasting of key demand trends has been completed to inform organisational planning.</p> <p>Nearly all departments report a rising trend of demand and although aspects have been suppressed by COVID others have accelerated beyond our original projections.</p> <p>We are currently completing more detailed analysis on the impact of the pandemic on police demand which will form part of the finalised document. The deadline for submission to HMICFRS is May 31st 2021.</p>	
	102b	<p>Internal Audit Overview - Director of Finance and Resources to respond to JAC relating to the reason for due date revisions and how a GDPR issue relating to sensitive data stored on network drives would be addressed through NEP and migration to a Cloud environment</p>	Immediate	Director of Finance and Resources	<p>17/09/20 DFR emailed JAC Risk Lead 31/07/20 with reasons for due date revisions highlighted. The need to ensure due dates on TIAA recommendations are scrutinised as being reasonable & realistic prior to agreement has been stressed to those undertaking audits by the DFR and HoF.</p> <p>DFR emailed JAC Risk Lead 31/07/20 re. GDPR: <i>“To mitigate the GDPR issue referred to ultimately any solution would need to ensure that only GDPR compliant data is migrated to the Cloud (where it then needs managing in a structured way) and also that any data that isn’t migrated needs appropriately managing...”</i></p> <p><i>Resourcing the work stream either via the NEP project team or via a separate work stream is currently being discussed with a business case in progress.”</i></p> <p><i>05.10.2020 – JAC member questioned how moving non-compliant data onto the cloud would assist in mitigating risk and leave the Force with non-compliant data on drive. Director of Finance and Resources stated compliance data being migrated onto the Cloud but also looking at legacy issues to look into issue further. Director Finance and Resources to look into matter further and update Joint Audit Committee.</i></p> <p>20.11.2020 – Further update regarding approach emailed by DFR to JAC Risk lead.</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>10.12.2020 – e-mail sent to JAC Risk lead on mitigating risk. Member/Director of Finance and Resources to agree what assurance will close this action.</p> <p>09/02/2021 DFR & JAC Risk lead briefly discussed email dated 10/12/20. NEP plans for data migration to provide the necessary assurance required to close action.</p>	
	103d	Risk Update - Risk and Business Continuity Lead to revise the report format in consultation with Risk Lead	Immediate	Risk and Business Continuity Lead	<p>02/09/20 Update from Risk and BC Lead.</p> <p>Risk and Business Continuity Lead discussed this matter with Risk Lead JC on 28/08/20. It was agreed that the Risk Highlight Report continue to be submitted in two sections, i.e. Open Session and Closed Session. The Open Session will continue to document all Risks on the Force Risk Register or COVID19 Risk Register that have not been negated. The Closed Session Report will only report Risks by exception, i.e. New Risks, Closed Risks, Risk Changes etc. which will reduce the size of the overall Risk Highlight report.</p> <p>19/10/2020 – Chief Super Corporate Services will take this forward with James and Neil.</p> <p>12/11/20 – Feedback received from Rachel Barber and John Cunliffe which has been incorporated into the risk report for the JAC meeting 10/12/20.</p> <p>03/03/21 - Risk and Business Continuity Lead to revise the report format in consultation with Risk Lead</p> <p>Recommend action closed.</p>	
	105a	Assurance Board - Head of Business Intelligence to bring schedule of Table Top testing to next Joint Audit Committee meeting.	October meeting	Head of Business Intelligence	<p>We recognise this is an important aspect of our assurance work, and will be seeking to focus on it in meaningful sense once there is capacity to do so having dealt with the pressing BC issues of learning the lessons from COVID. Processes are in place with business continuity single points of contact for ongoing table top exercises, and annual Force level exercise, but there is not currently a formal/detailed schedule in place.</p> <p>A full testing schedule will form part of our response but we need to give it proper consideration before providing an update to Joint Audit Committee. I will aim for a fuller update at the next Committee meeting detailing current and planned testing schedules.</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>05.10.2020 - Unprecedented year and many have been tested in real time. Another review at the beginning of next year. Fuller update to be provided at December 2020 meeting.</p> <p>12/11/20 There are two business continuity tests scheduled since the last JAC meeting.</p> <ul style="list-style-type: none"> • 10/11/20 North Wales Local Resilience Forum Cyber Exercise – postponed due to technical difficulties, to be rearranged late November/early December 2020 • 17/12/20 – EU Exit business continuity exercise. An updated version of the EU Exit exercise previously run on 09/10/20 • A business continuity options paper has been prepared for the Covid 19 Recovery tactical group 13/10/20 to consider the extension of bespoke business continuity plans to all areas including low risk areas. This will inform the scale of the business continuity work to be undertaken. It will also inform the testing schedule for 2021 which will be produced as part of the work. <p>In light of capacity issues within the assurance team, an additional temporary member of staff soon to be available from Operational Planning has been agreed to assist on a temporary basis with business continuity work.</p> <p>11.01.2020 – Chair and T/Superintendent Corporate Services to discuss action.</p> <p>03.03.2021 Please see attached paper (Appendix A).</p>	
	118d	Internal Audit - Director of Finance and Resources to update Joint Audit Committee on measures in place to mitigate against cyber security threats and whether there is any potential for shortening timescales on implementation	Ahead of December Meeting	Director of Finance and Resources	<p>Meetings taking place to provide update to Joint Audit Committee before next meeting.</p> <p>10.12.2020 E-mail circulated at beginning of week. Role out of NEP significant step for organisation and Deep Dive on Cyber security scheduled for July meeting. Risk JAC lead requested that this be bought forward to March as timescales to long at present.</p> <p>11/01/2021 – On agenda</p> <p>Recommend action closed.</p>	
10.12.20	130	HMICFRS Updates - T/Chief Superintendent Corporate Service to ensure fewer	By March meeting	T/Chief Superintendent Corporate	<p>Report prepared and presented to Joint Audit Committee with fewer acronyms.</p> <p>Recommend action closed.</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		acronyms used within HMICFRS update in future.		Service		
	131a	Internal Audit Overview – Management Report - Director of Finance and Resources to meet with Chair Joint Audit Committee to discuss/progress report and avoid duplication with Internal Audit report in future.	Before March 2021 meeting	Director of Finance and Resources/Chair Joint Audit Committee	Director of Finance and Resources discuss with Ann. Seb to organise meeting with Rachel to discuss. 11/02/21 DFR & AM met with JAC Chair with feedback focussed on ensuring the report provided additional assurance to JAC. 02/03/21 On agenda. Recommend action closed.	
	133	Treasury Management – FY 20-21 6 Month update - Chief Finance Officer to schedule a development session on Treasury Management into the scheduled development sessions.	Summer 2021	Chief Finance Officer	Chief Finance Officer to discuss with Arlingclose who will provide training. 02.03.21 CFO has liaised with Arlingclose, who have agreed to present to North Wales JAC on 11 May 2021.	
	135	Wales Audit Request for support on Data Analytics - Wales Audit to bring further paper to March Joint Audit Committee meeting and data analytics colleague from Audit Wales to also attend to explain further what actions will be required.	March 2021	Wales Audit	Audit Wales presentation to be placed on G-drive for members information. Recommend action closed.	
	136	Legal Report - Director of Finance and Resources to invite Force Solicitor to July Joint Audit Committee meeting to discuss the Legal Report.	July 2021 meeting	Director of Finance and Resources	11/01/21 – Director Finance and Resources has informed Force Solicitor of need to attend meetings and placeholders are now in the diary. Recommend Action Closed.	
	137a	Ethics - Interim Chair of Ethics Committee to discuss feedback from Joint Audit Committee with new Chair.	ASAP	Interim Chair of Ethics Committee	12 Jan21 – Interim Chair of Ethics Committee and New Chair discussed feedback from Dec20 audit committee as part of handover process. Recommend Action Closed.	
	137b	Ethics - Further update to Joint Audit Committee on work of Committee once new Chair has	ASAP	Interim Chair of Ethics Committee	To attend future JAC meeting (July) 09.03.21 – In addition to the above, dates for a separate meeting between the Ethics Committee chair and the	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		settled in post and arrange a meeting between new Chair and Governance Lead to share experiences.			appropriate JAC members are being progressed. Recommend Action Closed.	
	139a	Work Programme - Chief Finance Officer to arrange a workshop to discuss risk and how static risks could be better incorporated into the meeting agenda.	ASAP	Chief Finance Officer	Director of Finance and Resources/Chief Finance Officer have discussed and PA to DFR to arrange workshop in late January/early February. Head of Business Intelligence/T/Superintendent Corporate Services to discuss with JAC Risk Lead and how this fits into the programme. Further discussion needed as new JAC member may be JAC Risk Lead. 03.03.2021 - Chief Finance Officer to arrange a workshop to discuss risk and how static risks could be better incorporated into the meeting agenda. – Following discussion with John Cunliffe it was agreed that alongside the Risk Appetite Annual Review, the Force would also undertake an annual review of the Risk Register as well as risks closed in the previous 12 months. This was undertaken at the Senior Leadership Team meeting 23 February 2021, and consideration given to risks that may need ongoing review despite being closed. There is also a route to maintain oversight of static risks through the risk mapping process. Both of these would report periodically into Joint Audit Committee through the regular risk report when relevant to update on any changes to static/long term risks.	
	139b	Work Programme - Director of Finance and Resources to discuss the moving of the Cyber Security Deep Dive item to the March Joint Audit Committee meeting.	Before March 2021 meeting	Director of Finance and Resources	Cyber Security on March agenda. Recommend action closed.	
	139c	Work Programme - Chief Finance Officer to review the Joint Audit Committee Terms of Reference and once agreed at Joint Governance Board they be brought to the March/July Joint	March/July 2021 meeting	Chief Finance Officer	Terms of Reference on the JGB meeting agenda in February and Chief Finance Officer will update thereafter. 02.03.21 At the JGB meeting on 17 February, it was determined that the JAC Terms of Reference should be approved by the PCC and Chief Constable. Therefore, the Terms of Reference will be presented to the next Strategic	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Audit Committee meeting.			Executive Board, and will be brought to JAC in July 2021.	

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

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
	22a	AOB – GDPR – 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 & 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 members when finalised.</p> <p>07/07/2020 Shared with JAC members.</p> <p>30/07/2020 JAC member asked if paper</p>	Closed

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					reviewed that paper records are included as also covered in GDPR. Recommend action closed. 30/07/2020 When paper reviewed in future to include paper as well as digital records.	
	42	Wales Audit Office – Fraud Enquiry Letters – 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. 30/07/2020 – On agenda. Action Closed	Closed
	59b	Internal Audit - Internal Audit to check what action has been taken against the Data Assurance recommendation.	March meeting	Internal Manager	Audit 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 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. Recommend action closed.	Closed
	79b	Internal Audit Report and Progress Report - Internal Audit to place an extra column for comments within the Client Briefing Notes table.	By March meeting	Internal Manager	Audit 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. Recommend action closed	Closed
	89	Action Log - 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. Recommend action closed.	Closed
	91a	Internal Audit – Finance and Budgets Officer to produce a cover report/executive	By July Meeting	Finance and Budgets Office	02/06/2020 - Internal Control section added to F&R SMT as standing agenda item. Summary	Closed

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		summary for next Joint Audit Committee meeting			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. Recommend action closed.	
	91c	Internal Audit – 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. Recommend action closed	Closed
	91d	Internal Audit – 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). Recommend action closed.	Closed
	93a	Risk Management Process – T/Chief Superintendent to share Risk and Business Continuity job description with Joint Audit Committee	Immediate	T/Chief Superintendent Corporate Services	Document shared with JAC 10/03/2020. Recommend action closed.	Closed
	93b	Risk Management Process – 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. Recommend action closed.	Closed
	93c	Risk Management Process - 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. Recommend action closed.	Closed
	93d	Risk Management Process - Director of Finance and Resources to ask Chair of the Assurance Board to prepare paper	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. Recommend action closed.	Closed

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		and attend July Joint Audit Committee meeting.				
	94a	Annual Governance Statement - Terms of Reference for the Joint Governance Board to be re-visited 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.) Recommend action closed.	Closed
	94b	Annual Governance Statement - T/Chief Superintendent Corporate Services to draft Governance job description and share with Joint Audit Committee members. Place on June off-line meeting agenda.	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 members 08/06/2020. Recommend action closed.	Closed
	94d	Annual Governance Statement - 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. Recommend action closed.	Closed
	96	Internal Audit Plan - 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. Recommend action closed.	Closed
	97	Wales Audit Office Annual Plan - 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. Recommend action closed.	Closed
	99a	AOB – Joint Audit Committee Annual	Immediate	Head of Finance	02/06/2020 – Proposed item and presentation	Closed

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Report - Head of Finance to provide Joint Audit Committee overview of how Value for Money is measured within North Wales Police.			for July 2020 agenda. Recommend July 2020 agenda item. Recommend action closed.	
	99b	AOB – Forward Work Plan - 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.	Immediate	Chief Finance Officer	On agenda as substantive item. Recommend action closed.	Closed
	99c	AOB – Joint Governance Board - 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	Website updated to reflect re-establishment of Joint Governance Board. Recommend action closed.	Closed
	94c	Annual Governance Statement - Interim Governance Manager to share draft Scheme of Delegation with Joint Audit Committee for their comments.	Immediate	Interim Governance Manager / Joint Audit Committee members	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. 30/07/2020 – JAC members to send comments on document by end August and paper to be presented with final Accounts in October meeting. 11/08/2020 – Further e-mail send to JAC members asking for comments by the end of August. Recommend action closed.	
	102a	Internal Audit Overview - Director of Finance and Resources / Finance and Budgets Officer to include the requested details for the current report and for subsequent Joint Audit Committee meetings.	For October meeting	Director of Finance and Resources and Finance and Budgets Officer	Report was re-written complete with changes and submitted to JAC members on 31/07/2020. This amended report will be issued moving forward. Recommend this action be closed	
	103a	Risk Update – Personal Assistant to place	October	Personal Assistant and	Command and Control Upgrade placed on	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Command and Control Upgrade deep dive on next meeting agenda and Risk and Business Continuity Lead to ensure appropriate officer attends to present to Joint Audit Committee	meeting	Risk and Business Continuity Lead	<p>agenda 02/09/20 Email forwarded to PA for invite to be sent to Chief Superintendent Neill Anderson and Keith Williams for attendance by one or both at JAC 5th October for presenting to members the 'Deep Dive' of Risk 54 – Command and Control Upgrade. 03/09/2020 Invite sent to both. Recommend Action Closed.</p>	
	103b	Risk Update – T/Chief Superintendent Corporate Services to clarify wording regarding closure of risks and report back to Joint Audit Committee.	Immediate	T/Chief Superintendent Corporate Services	<p>02/09/20 Risk Closure is covered in our Force Risk Management and Assurance Mapping Framework Document as follows: Closing risks <i>When a risk has been managed to an acceptable level (usually the target level) or the circumstances around it have improved it may be closed. Assurance (evidence to support the closure) must be articulated in the risk template. The SMT or Project Board that own the risk must approve closure and allocate an action to the Risk Lead to ensure the risk is updated and removed from the Force Risk Register.</i> <i>Where there are open risks at the point that a project closes then the risks will be referred to the relevant SMT for decisions on the future management of that/those risk(s).</i> <i>Closed risks will not be reopened. If a risk becomes active again it must be recorded as a new risk.</i></p> <p>The Risk and Business Continuity Lead has reviewed this entry and our current Risk Closure process and will ensure Risks being requested for closure have a rationale from the Risk Owner/Lead that clearly meets one or more of the following:</p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<ul style="list-style-type: none"> The Risk is tolerated The Risk is Treated, i.e. Controls have been effective and Risk target Level has been reached The Risk is transferred The Risk is terminated <p>The Assurance Mapping Framework Document will be updated accordingly.</p> <p>05.10.2020 – Clarification sought by Chair that 4 above categories will be actioned if action closed. Head Business Intelligence confirmed that this would be the case as all integrated into the Risk Progress.</p> <p>Recommend action closed.</p>	
	103c	Risk Update – Risk and Business Continuity Lead to update the original and revised timelines could be included within the update to next Joint Audit Committee.	Immediate	Risk and Business Continuity Lead	02/09/20 Update from Risk and BC Lead. This action update is covered in the JAC Risk Highlight Report. Recommend action closed.	
	105b	Assurance Board - Head of Business Intelligence to share actions and decision log of the Assurance Board and first draft of the reviewed Terms of Reference with Joint Audit Committee members.	As soon as available	Head of Business Intelligence	Provided separately. The last meeting of the Assurance Board was the July 2020 meeting, as the August 2020 meeting was cancelled due to lack of attendees. The actions and decisions, and terms of reference have been provided. The next meeting is 09/09/20 at which the revised terms of reference also provided will be tabled. 04.09.2020 – Terms of Reference and Decision Log shared with members. Recommend action closed.	
	105c	Assurance Board – Head of Business Intelligence to bring update paper to October Joint Audit Committee.	October meeting	Head of Business Intelligence	On agenda. Recommend action closed.	
	107a	Covid-19 recovery plan - T/ACC to provide clarification on how North	Immediate	T/Assistant Constable Chief	North Wales Police specifically as opposed to the wider LRF continue to have a command	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Wales Police preparing for second wave of pandemic.			Strategic/Tactical/ Operational command structure identified around COVID response. The main risk to NWP is capacity if abstractions rates start to rise. As such we are seeking to get ahead of abstractions by making our buildings Covid secure, maximising social distancing, stockpiling of PPE, and vaccination programme against FLU. We still have over 800 of our staff able to and mostly working from home. We have plans across critical functions such as Control Room, Local Policing Service and Firearms that allow for a withdrawal of service and also utilising support cross functional. We can maintain recruiting by online learning which has been developed. We have detailed management data which given insight into any abstraction. Recommend action closed.	
	108a	Statement of Accounts - Director of Finance and Resources/Chief Finance Officer/Head of Finance to meet to ensure all Joint Audit Committee member comments are considered for action and to report back to the Joint Audit Committee members to discuss.	Immediate	Director of Finance and Resources / Chief Finance Officer / Head of Finance	17/09/20 – Meetings held between DFR, HoF & CFO to develop approach around Intro, Narrative Report & AGS to develop timescales for issuing a revised draft set of accounts. Frequency of updates to Finance lead increased and updated approach reported to JGB on 07/09/20, draft accounts circulated on 10/09/20 and subsequently reviewed on 15/09/20 with Finance lead & JAC chair. Further feedback on 15 th to be reflected in Statement of Accounts circulated to Oct JAC. Recommend action closed.	
	108b	Statement of Accounts - Director of Finance and Resources/Head of Finance to take away to look to incorporate comments into paper.	Immediate	Director of Finance and Resources/Head of Finance	17/09/20 Financial control accountant progressing response with intention to circulate ahead of Oct JAC. Recommend action closed.	
	108c	Statement of Accounts - Director of Finance and Resources/Head of Finance to investigate whether limits set on	Immediate	Director of Finance and Resources/Head of Finance	17/09/20 Financial control accountant progressing response with intention to circulate ahead of Oct JAC. Recommend action closed.	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		when short term borrowing is required and report back to Joint Audit Committee.				
	108d	Statement of Accounts - All to ensure that papers are distributed to Joint Audit Committee members a week prior to meeting.	October meeting	All	17/09/20 DFR update: Changes have continued to feature at a late stage in the process but the Finance team are trying to maximise the window that the JAC members have to review the relevant information. Recommend action closed.	
	108e	Statement of Accounts - Personal Assistant to place updates on National Audit Office Response on the agenda for next the Joint Audit Committee meeting in October.	October meeting	Personal Assistant	National Audit Office response placed on October Joint Audit Committee agenda. Recommend action closed.	
	109	Governance Review - T/Chief Superintendent Corporate Services to update Joint Audit Committee members on Appendix and projects/targets at next meeting.	October meeting	T/Chief Superintendent Corporate Services	On agenda. Recommend action closed.	
	110	Joint Audit Committee Annual Report - Chief Finance Officer asked to reflect areas that require more assurance within the Annual Work Programme.	Immediate	Chief Finance Officer	Value for Money was identified as a key area where JAC require more assurance and this is on the Work Programme. The Work Programme is now presented on a rolling basis at each JAC meeting, making it possible to add in areas as they are identified. Recommend action closed.	
	111	Work Programme for 2020/21 - Chief Finance Officer to update the Work Programme with suggested amendments/additions – JAC Evaluation and JAC Annual Report on March 2021 meeting and Force Management Statement moved from December 2020 to March 2021.	By December meeting	Chief Finance Officer	The work programme has been updated as agreed. The work programme is now a regular item on JAC the JAC agenda, giving JAC members and staff the opportunity to agree amendments and additions as needed. Recommend action closed.	
	115	Organisation Update – OPCC - Chief Finance Officer to include the additional	By December	Chief Finance Officer	This item is to be examined at the meeting to be held on 30 March 2021.	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		funding received by the Office of the Police and Crime Commissioner as a Deep Dive agenda item in December.	meeting		10.12.2020 Officers moved Deep Dive to March JAC meeting. Action closed.	
	118a	Internal Audit - Finance and Budgets Officer to share results of the ICO on-line assessment with Joint Audit Committee member (John Cunliffe).	Immediate	Finance and Budgets Officer	Assessment received and will be shared with JAC members. 10/11/2020 – Reports generated following completion of the ICO toolkit received from IS&C. Shared with JAC members 10/11/2020. Recommend action closed.	
	118b	Internal Audit - Finance and Budgets Officer to share NIAO Whistleblowing Guidance CBN with new Chair of Ethics Committee.	When Chair of Ethics Committee in post	Finance and Budgets Officer	F&B Officer will share the Whistleblowing Guidance CBN when Chair is in post, as at 04/11/2020 no-one is in post. 10/11/2020 – The CBN and copy of the completed checklist was passed to the acting Chair of the Ethics Committee and the PA. Recommend action closed.	
	118c	Internal Audit - Director of Finance and Resources to update table under Appendix 1 with Revised Due Dates for outstanding internal audit recommendations.	By December meeting	Director of Finance and Resources	Make sure up-to-date before next meeting. 20/11/20 – Overdue dates updated as at 13/11/20 and reflected in IA report. Recommend action closed.	
	118e	Internal Audit - Chief Finance Officer/Director of Finance and Resources to bring highlighted Deep Dives to Joint Audit Committee as appropriate – update Work Programme to reflect.	By December meeting	Chief Finance Officer/Director of Finance and Resources	Work Programme has now been updated to reflect future Deep Dive issues. Recommend action closed.	
	119a	Risk Update - Risk and Business Continuity Officer to provide Joint Audit Committee with an updated copy of the full Risk Register ahead of every Joint Audit Committee meeting.	Ahead of December Meeting	Risk & Business Continuity Officer	12/11/20 The Risk detail documents for every risk and the risk register have been updated on the shared drive and will be updated on a monthly basis from now on. Recommend action closed.	
	119b	Risk Update - JAC Risk Lead, Head of Business Intelligence and Risk and	Ahead of December	JAC Risk Lead, Head of Business	Meeting to be organised before each Joint Audit Committee to ensure further assurance is	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Business Continuity Officer liaise to ensure more assurance is received from document in future.	meeting	Intelligence & Risk & Business Continuity Officer	received. 10.12.2020 – Meetings arranged and ongoing to improve reports. Action Closed.	
	119c	Risk Update - Risk and Business Continuity Officer to update tables 1 and 2 and provide further explanation regarding Table 3 by next meeting.	December Meeting	Risk & Business Continuity Officer	12/11/20 More explanation included in the risk report for the JAC 10/12/20 Recommend action closed.	
	120	Value for Money Update - Director of Finance and Resources to investigate how value for money could be better reflected in future papers to Joint Audit Committee and to consider building into the Internal Audit work programme for 2021-22.	Immediate	Director of Finance and Resources	Update Work Programme to provide assurance that Value for Money is being considered and further specific items on agenda in the future. 10.12.2020 – now factored into the work programme. Audit Wales's report and on agenda and Value for Money also incorporated into all Deep Dives. This demonstrates that Value for Money is in officers thoughts. Action Closed.	
	123a	Governance Board - Chief Finance Officer to place on the agenda of the next Governance Board an item reflecting what Governance Structures are already in place within the Force.	Next Joint Governance Board Meeting	Chief Finance Officer	Agenda item has been placed on the Governance Board agenda. Recommend action closed.	
	123b	Governance Board - Chief Finance Officer & Director of Finance & Resources to ensure that the minutes of the JGB reflect an appropriate wording in relation to the CBNs presented to the most recently held Joint Governance Board.	After next Joint Governance Board Meeting	Chief Finance Officer and Director of Finance and Resources	20/11/20 Minutes reviewed by DFR and wording revised and agreed with CFO. Recommend action closed.	
	123c	Governance Review - Chief Finance Officer to incorporate an annual Governance Review Progress Report into	Before December meeting	Chief Finance Officer	On agenda. Recommend action closed.	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		the Joint Audit Committee work programme.				
	124	Work Programme - Chief Finance Officer to update the Work Programme to reflect changes from last two meetings and produce a work programme for the Closed Session of Joint Audit Committee.	Before December meeting	Chief Officer Finance	Chief Finance Officer to develop work programme for Closed session .	
	125a	AOB – ICT Sourcing - Chief Finance Officer to include ICT Resourcing item within the work programme.	Before December meeting	Chief Officer Finance	20/11/20 – On agenda for risk deep dive and reflecting in work programme. Recommend action closed.	
	125b	AOB – ICT Sourcing - Director of Finance and Resources to convene meeting with Joint Audit Committee members to discuss the ICT Sourcing contract.	As soon as possible	Director Finance and Resources	20/11/20 – Meeting arranged for 26/11/20. Recommend action closed.	

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

APPENDIX A

JOINT AUDIT COMMITTEE

Title:	Action 105a update Business Continuity test schedule								
Author:	James Sutton, Head of Business Intelligence/Strategic Planning/Assurance								
Purpose of the report:	To provide the Joint Audit Committee with an update on the Business Continuity test schedule.								
The report is provided to JAC for: (tick one)	Decision Discussion Assurance <input checked="" type="checkbox"/> Information								
Summary / Key Points:	<p>The following is an extract from the Draft Business Continuity Framework. This remains in draft and is subject to further consultation. The Business Continuity Framework will contain all business continuity procedures and relevant templates. The Joint Audit Committee risk lead has been consulted and provided feedback.</p> <p>Plan Maintenance and Review Schedule</p> <p>Plan Review will be conducted at two levels:</p> <ul style="list-style-type: none"> • Departmental review and quality assurance • Force Internal audit <p><u>Departmental Review</u></p> <p>Service Leads and Heads of Departments are responsible for the maintenance of their BCP and should ensure:</p> <ul style="list-style-type: none"> • BCM is a standing item on the agenda for Senior Management Team Meetings. • BCM is included in the BCU or Department’s formal induction process. • BCM should be aligned to the Risk Management arrangements. • That a Departmental BC SPoC is nominated. • That the BC SPoC reviews the currency of the BCP regularly as necessary, and at least as frequently as is directed by the Assurance Board based on the BCP risk rating. • Updated BCPs and Exercise reports are forwarded to the Force BC Coordinator. <p><u>Review Schedule</u></p> <p>Departmental formal BCP reviews will be conducted on a frequency based on risk (assessed by their Business Impact Analysis scores), e.g. Critical, High, Medium and Low; with the length of validity based on a correspondent increasing length.</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>Plan Risk Rating</th> <th>Frequency of Plan Review</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>12 months</td> </tr> <tr> <td>High</td> <td>18 months</td> </tr> <tr> <td>Medium</td> <td>2 years</td> </tr> </tbody> </table>	Plan Risk Rating	Frequency of Plan Review	Critical	12 months	High	18 months	Medium	2 years
Plan Risk Rating	Frequency of Plan Review								
Critical	12 months								
High	18 months								
Medium	2 years								

Low

2 years

Confirmation of Review having taken place will be receipt of the up-to-date plan by the Business Continuity Coordinator for inclusion in the force BCP repository on SharePoint.

Internal Audit

Internal audit will occur on an ad hoc basis by TIAA, an external company. They will scrutinise and report on selected individual departmental BCPs.

Validation & Testing

The importance of testing and exercising of our plans cannot be overstated. Planning and the written records of our plans are of limited value without validating them through trial and stress testing. No matter how well designed and thought out a BCP is, it must be exercised to ensure its effectiveness. Exercising allows the evaluation of the plan, identifying any gaps or weaknesses. It provides an opportunity for key personnel to rehearse and gain familiarity with the Business Continuity processes.

The Force, via the Assurance Board, has directed that a **Testing Schedule** be in place. The testing frequency of BCPs will be based on their risk rating (assessed by their Business Impact Analysis scores).

Pre-planned Testing will be carried out at two levels:

- Departmental Short Test (Quick-check)
- Full Exercise or Scrutiny Test

Departmental Short Test (Quick-check)

This is a type of test that most departments will be familiar with. It is a requirement for individual departments to conduct a desktop 'walkthrough' with a number of their staff, ideally as many as is practicable. This type of test is required to be carried out **at least once each year**.

The departmental quick-check run through of the BCP serves to bring the BCP to the attention of staff, reminding them of its existence, where it is kept, where hard copies are stored, and what actions are required of them in the event of an activation. It is also an opportunity to spot any changes or updates required in the BCP.

Department managers or BC SPoCs should consider the individual staff taking part, ensuring that particularly for larger departments they do not use the 'same faces', and target those who have key responsibilities, e.g. supervisors or team leaders. The whole thing should not take longer than an hour, but could be less.

Confirmation of the Short Test having taken place is by the completion of the Quick-Check form and submission to the BC Coordinator.

Full Exercise or Scrutiny Test

The Full Exercise or Scrutiny Test is one overseen by the BC Coordinator that involves a

more detailed and intrusive run through of the departmental plan. It will seek to scrutinise the plan, questioning those who would be part of its activation, challenging assumptions and identifying gaps.

The Full Test results in the completion of a more detailed report with Actions to be followed up. This allows for external scrutiny of the BCP and the opportunity for an audit trail of the Actions to be maintained.

Requirement for a Full Test will be on a frequency based on risk (assessed by their Business Impact Analysis scores), i.e. Critical, High, Medium and Low.

A Full test may take the following forms:

- A formal exercise scenario with timeline and injects.
This may be a single department or combined with another department(s) who have a relevancy to the other(s), particularly where there is interdependency.
- A scrutiny walk-through by the BC Coordinator with the Department Head or BC SPoC. Or possibly a peer review by another department manager of an unrelated department, overseen by the BC Coordinator.
- Force level formal exercise – multiple departments.
This may be targeted at a group of interdependent activities or departments, or it may be thematic in terms of the threat, e.g. IT attack, pandemic, fire, etc.

Live Incident validation

Live incidents are also another type of validation of BCPs, those being real life incidents or disruptions, where the plan is activated. Activations of the BCP will count towards a full-test, provided they undergo a structured de-brief with any lessons learned formally captured and reported on for the benefit of a plan review.

Plan Risk Rating	Exercise Frequency	
	Quick-Check	Full Exercise or Scrutiny Test
Critical	Annually	2 yearly
High	Annually	3 yearly
Medium	Annually	4 yearly
Low	Annually	4 yearly

The Testing Schedule will be managed overall by the Assurance Board, and coordinated by the BC Coordinator, working with the BC SPoCs.

There should always be some form of objective observation to any test as well as a formal debrief session. Staff taking part should be aware it is a test on the first few occasions they are run but unannounced tests may be run once there is a level of familiarity.

It is not necessary to test a whole plan; sometimes parts of a plan can and should be tested.

	<p>An exercise could involve shutting down some systems or closing buildings. If this is done then duplicate facilities and functionality should have been put in place, to ensure that a testing procedure doesn't itself become a crisis or detrimental event to service provision.</p> <p>Incident and Test reports will be published on SharePoint with general access unless restrictions are requested.</p> <p>Fundamental Principles for testing plans</p> <p>There are a number of fundamental principles that will be adhered to in creating and implementing a schedule of testing of business continuity plans in accordance with the ISO22301 Standard for Business Continuity. These are:</p> <ul style="list-style-type: none"> • The tests must be based on appropriate scenarios that are well planned with clearly defined aim and objectives. • Taken over time they must validate the whole of the organisation's business continuity arrangements. • The exercise programme should be a progression of exercise types, each one building on the lessons of the previous exercise, finally culminating in a full test of the BCP. • Disruption to business operations should be minimised. • Post exercise reports should be produced. • They should be reviewed and improvements identified. • They must be conducted at planned intervals and upon significant change within the organisation or its operating environment.
Recommendations:	Joint Audit Committee Members to note the report
Risk Register Impact:	Contributes to a number of risks including the Pandemic risk.
Assurance Implications:	Improvements to the Force's testing schedule for business continuity plans will provide additional assurance.
Equality Impact:	None
Information Exempt from Disclosure:	No



1. Updates

The previous meeting of the Joint Audit Committee (JAC) was held on 10th December 2020. This report will provide an update to the JAC on OPCC matters of note since then.

2. Information disclosure issue

Shortly before the December 2020 meeting of the North Wales Police and Crime Panel, a serious information disclosure issue came to light concerning the PCC's report to the Panel. These issues have been managed and addressed with appropriate learning points being reflected on but I felt it important to update the JAC on this issue. An appendices is added to this report outlining why it occurred and what steps have been taken to ensure it does not happen again.

3. Heroin Assisted Treatment

The JAC will recall from previous updates that the PCC hosted a conference on 2nd November which raised awareness of Heroin Assisted Treatment and support for a pilot in North Wales. The North Wales Area Planning Board discussed this matter at their most recent Board meeting and agreed to commission an independent feasibility study which the OPCC are happy to support.

4. Your Community, Your Choice

The public vote for the 'Your Community Your Choice' scheme recently closed. JAC members will recall that the PCC contributes £30,000 funding and North Wales Police contribute a further £30,000 funding that has been seized from criminals via the Proceeds of Crime Act. Community groups across North Wales bid for the funding.

This is the eighth year of the scheme which is organised by the police and crime commissioner in conjunction with North Wales Police and the North Wales Police and Community Trust (PACT). There was a fantastic response to the public voting period with over 32,000 votes received. The successful groups have been advised and have been invited to a virtual presentation event to be held on the afternoon of 25th February

5. Naloxone

In early 2020, twelve NWP officers and PCC Arfon Jones were trained by a Senior Nurse from the Substance Misuse, Harm Reduction Unit of Betsi Cadwaladr University Health Board in the safe use of Nasal Naloxone, and were been allocated a provision of Nasal Naloxone for use in a pilot scheme in Flintshire.

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The pilot is still ongoing and will be evaluated in due course however I am delighted to be able to update the JAC that the nasal spray has recently saved the lives of two drug overdose victims in Flintshire.

Appendix 1 – Information Disclosure Issue

Background and Context

The Chief Constable has to provide information about serious crime investigations to the Police and Crime Commissioner (PCC) to assist him in holding the Chief Constable to account in accordance with sections 2(5) and 11(5) of the Police Reform and Social Responsibility Act 2011. Each quarter the Strategic Executive Board sits which is chaired by the PCC and is the forum used to hold the Chief Constable to account. North Wales Police prepare a performance document against the PCC's priority areas for these meetings. This document will ordinarily include details of specific operations, including details of offenders and victims.

Based on the information contained within this performance document, the OPCC then prepares a report on behalf of the PCC to inform the Police and Crime Panel of the work of the PCC and OPCC. This report is put into the public domain (on the websites of the OPCC website and the six Local Authorities) seven days prior to the meeting.

When preparing the report for the December Panel meeting, the OPCC removed the name of a convicted offender but included details of how many offences he had pleaded guilty to and which Court he had been sentenced in, all of which were already in the public domain. Due to human error / oversight, a familial link between the offender and victims also remained within the report. To clarify, the victims were not named in the report (this detail has never been shared with the PCC).

Shortly before the start of the December Panel meeting we were contacted by a local journalist who, based on the information provided in the PCC's report, was able to identify the offender and therefore was able to make the familial link to the victims. There is no evidence to suggest that anyone else was able to make this link before the document was removed.

Action taken

- The report was immediately removed from the OPCC and Conwy Council (the host Authority for the Panel) websites. The report was removed from the other local authorities websites by the following morning.
- The matter was referred to the Independent Office for Police Conduct (IOPC). On 5th February the IOPC confirmed they would not be taking any further action and referred the matter back to the Panel. I am due to meet with members of the Panel Complaints Sub-Committee in March (date tbc).
- The OPCC self-referred the matter to the Information Commissioner Office. The ICO have confirmed that they will not be taking any action and "understand that this was an isolated incident that can be attributed to a degree of human error". However, they have recommended that we investigate the causes of this incident to ensure that

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we understand how and why it occurred and what measures we can put in place to prevent it from happening again. In particular, they recommend:-

- Ensure there are appropriate checking and verification measures in place when sending personal data outside of the organisation;
 - Ensure that staff are aware of existing preventative measures and that these are followed routinely and consistently throughout the organisation;
 - Continue to monitor this incident in order to ensure that it was in fact an isolated occurrence and that we can take immediate action in the event that we discover further information that alters the ICOs assessment of the incident;
 - Maintain awareness of data protection among staff via the use of routine reminders such as staff emails/newsletters, staff intranet team meetings, posters and screen savers etc.
- The OPCC and NWP separately wrote to the Judge to inform them of the data breach. At the time of writing no response has been received.
 - North Wales Police concluded, after careful consideration, that it was in the best interest of the victims to inform them of the disclosure as soon as the Christmas break had concluded and the agencies who can offer support were in a position to do so.

Next Steps

- Address the four recommendations from the ICO and report back accordingly.
- Consider any other learning points beyond those identified by the ICO.
- Add Data Protection compliance onto the OPCC risk register and provide JAC with a report which summarises the controls in place to mitigate against the risk.

Report Author:	Stephen Hughes, Chief Executive
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JOINT AUDIT COMMITTEE

30 March 2021

Organisational Update

Report by Director of Finance & Resources, North Wales Police

1. Introduction

This report provides a high level Organisational Update for North Wales Police highlighting key issues and events affecting the organisation for the period from 20.11.20 to 03.03.21.

The issues and events are analysed between the four categories of Finance; People, Learning & Innovation; Operational and Public / Community.

2. Finance

- Details of the 2021-22 funding position has now been confirmed with a Flat Core Grant plus £4.3m of Uplift funding being confirmed on the 17th December. In turn the Police & Crime Panel confirmed a precept increase of £14.94 in part aimed at mitigating financial pressures associated with the ESN programme.
- The roll out of the financial plans – which include £2.9m of efficiency savings offset by £2.6m of growth - to the delegated budget holders will now become the focus prior to the new financial year commencing.
- In addition to Covid-19 funding previously confirmed, further funding has been announced by the Police and Crime commissioner and Welsh Government respectively. NWP will receive £597k as its allocation from a £60m national fund with details around further funding associated with recovery works anticipated.
- The most recent full year revenue projections continue to reflect a Revenue underspend of £1.4m with capital projections also showing a significant underspend for the financial year spanning a number of schemes.

3. People, Learning & Innovation

- Details of Uplift Phase 2 were received as part of the written funding settlement received on 17.01.21. This confirmed an allocation of 61 officers to NWP (with 3 of these being specifically in relation to ROCU). The allocation of these officers has been a key theme of the annual planning process.
- Following the Covid related abstractions from Colwyn Bay reported to JAC in December, Staff abstractions due to Covid-19 have generally continued to track to the wider regional and national pictures. Recommendations received by the environmental officers have been progressed.
- The ICT Sourcing strategy options have been progressed through the force Governance structure since the last JAC, with a brief update to be provided in the closed session.
- The Digital transformation programme continues to progress making headway across a number of work streams and working closely with the Force's agility programme.
- An All Wales Visioning day in relation to collaboration involving all chief officers was held during January and an updated strategy and prioritisation of key areas were the result.

4. Operational

- Wales entered alert level 4 prior to Christmas and remains at that level at the time of writing.
- Upon Wales entering this level sustained enhancement to enforcement was undertaken resulting in significant increases to reporting levels for Fixed Penalty Notices.

- PPE levels have remained strong (post EU exit) presently with a supply via national procurement routes.
- Managing operational abstractions due to annual leave restrictions and training delays remain an areas being actively managed to minimise any impact on service delivery.
- The latest social restrictions have resulted in crime and incident levels generally reducing during the period although planning for a return to 'normal' levels is ongoing.
- Immediate response has shown improvements in attendance times during lockdown periods.
- The EU transition as far as impact on North Wales Police was concerned went without note with Holyhead Port seeing a large reduction in Freight movement.

5. Public / Community

- Social restrictions have resulted in periodic increases in online contact methods. The early use of Single Online services continues to be monitored.
- Victim survey results that cover the first lockdown period and firebreak highlight no significant impact on the quality of service delivered during that period.
- Hate crime victim satisfaction continues to be an area of focus although levels have stabilized and are improving in some areas.
- As mentioned in the OPCC report, following the unauthorised disclosure via the Police & Crime Panel NWP has also reflected on aspects of its information management process.

6. Recommendations

For members of the Joint Audit Committee to note the Director of Finance & Resources' report.



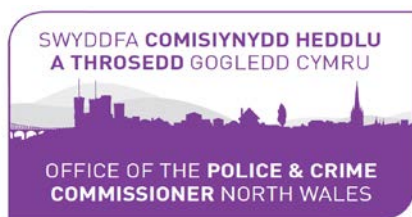
Joint Audit Committee

Meeting Date: 30th March 2021

Title:	Her Majesty’s Inspectorate of Constabulary & Fire and Rescue Services
Author:	CI David Cust
Purpose of the report:	Information Update
The report is provided to JAC for: (tick one)	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
Summary / Key Points:	<p>North Wales Police have a number of outstanding tasks from Her Majesty’s Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) made up of findings from Thematic National Reviews and our Police Effectiveness, Efficiency and Legitimacy Inspection (PEEL).</p> <p>NWP currently have 16 Areas for Improvement (AFI’s), of which 7 are specific to NWP from our PEEL inspection and the remaining 9 from national thematic reviews.</p> <p>NWP have 59 Recommendations from national thematic reviews of policing.</p> <p>This is further broken down to 35 requiring further action within force to satisfy, 9 of which have recently been completed and are awaiting review by HMICFRS to close.</p> <p>The remaining 24 are currently sitting with other agencies such as the College of Policing or the National Undercover Working Group (undercover police review). At this time nothing is required from the force in relation to these.</p> <p>In comparison with other forces this is low and places North Wales Police in a good position nationally.</p> <p>The HMICFRS Inspection in relation to Sensitive Intelligence took place remotely on the 22nd February. The feedback was positive and we await any thematic recommendations.</p> <p>The Child Protection Inspection team further reviewed North Wales Police on the 22nd March to assess our progress towards satisfying our outstanding areas of improvement.</p>
Recommendations:	N/A
Risk register impact:	N/A
Assurance implications:	N/A
Equality Impact:	N/A
Information exempt from disclosure:	

Joint Audit Committee
Meeting Date: 30th March 2021

Title:	Internal Control Report
Author:	Anne Matthews, Finance & Budget Officer Seb Phillips, Director of Finance & Resources
Purpose of the report:	To provide the Joint Audit Committee with an overview of Internal Control activity within the Force
The report is provided to JAC for: (tick one)	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
Summary / Key Points:	<p>The report summarises key Internal control activity regarding:</p> <ul style="list-style-type: none"> • Recommendation status from previous TIAA Audits • Management response regarding Client Briefing Notes (CBNs) and Fraud Alerts • TIAA audits issued in the period • CBNs and Fraud Alerts issued in the period • The current status of the 2020/2021 Internal Audit Plan • 2021/2022 Internal Audit Plan
Recommendations:	None
Risk Register Impact:	TIAA control findings, Client Briefing Notes and Fraud Alerts have been considered for reflection on the Force Risk Register.
Assurance Implications:	This report is directly relevant to Internal Control Activity providing Assurance in North Wales Police.
Equality Impact:	None
Information Exempt from Disclosure:	N/A – All content in Open Session



**HEDDLU
GOGLEDD CYMRU
NORTH WALES
POLICE**

JOINT AUDIT COMMITTEE

INTERNAL CONTROL REPORT – 30th March 2021

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 01/03/2021. The aim is to supplement the TIAA papers received by JAC with a view to providing additional assurance.

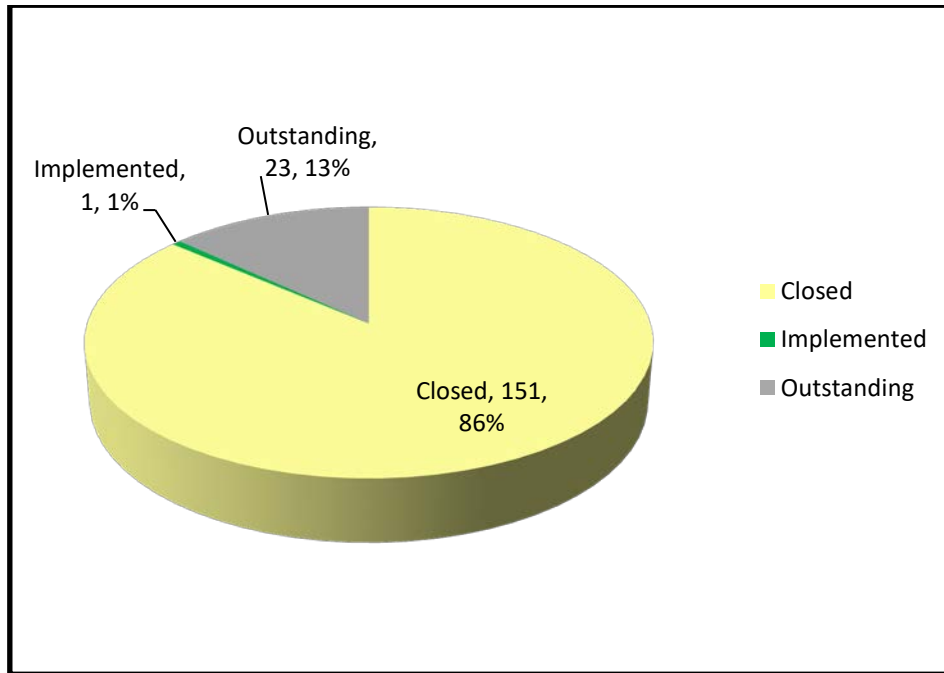
It is anticipated that further activity may have been undertaken by the JAC March meeting itself, which will be verbally updated on exception at the meeting.

The report focusses on key Internal control activity regarding:

- Recommendation status from previous TIAA Audits
- Management response regarding Client Briefing Notes (CBNs) and Fraud Alerts
- TIAA audits issued in the period
- CBNs and Fraud Alerts issued in the period
- The current status of the 2020-21 Internal Audit Plan
- 2021-22 Internal Audit Plan

2. RECOMMENDATION STATUS OF TIAA AUDITS

The position on 2020/2021 Internal Audit recommendations as at 01/03/2021 is outlined below, with the number of outstanding recommendations climbing from the levels seen in previous reports due to a number of audits being recently completed:



Movement since the last JAC meeting is as per the below:

- 16 new outstanding recommendations received one of which has been implemented.
- 1 outstanding recommendation implemented and closed during the follow up audit.
- 20 implemented recommendations closed during the follow up audit.
- 3 implemented recommendations closed during pensions/creditors audits.
- 2 recommendations deemed no longer appropriate closed during the follow up audit.

The carried forward recommendations continue to be monitored and pursued routinely.

Analysis of the 1 implemented recommendation as at 01/03/2021 is outlined below:

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

Analysis of the 23 outstanding recommendations as at 01/03/2021 is also outlined below:

Status Summary - Outstanding Recommendations	Category	No
No of Recommendations - still on original due date	Cat 1	16
No of Recommendations - 1st revised due date	Cat 2	3
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	2
		23

An emphasis on trying to ensure that the initial deadlines set are both appropriate and realistic (to ensure that the revision of dates isn't happening as a matter of course) has been a feature for recent review recommendations.

Analysis of the 23 outstanding recommendations and how they tally to each audit is provided on Appendix 1.

The latest position and update regarding the 23 outstanding recommendations is included in Appendix 2.

3. MANAGEMENT RESPONSE REGARDING CLIENT BRIEFING NOTES (CBNs) & FRAUD ALERTS

The current status on CBNs and Fraud Alerts is shown below:

Type	No rec'd	Action Required	Open Actions
CBNs - 19016 to 21002	28	0	0
Fraud Alerts	14	0	0

4. TIAA Audits issued in the period

Six TIAA audits were issued in the period. Two audits are directly relevant to content featuring elsewhere on the March JAC agenda:

- Data Assurance – This audit resulted in a finding of Substantial assurance and informed further discussion with regard to next steps associated with JAC action 59h.
- Risk Management – This audit resulted in a finding of Reasonable assurance and whilst there were only 2 recommendations at Priority Grading level 3 the audit re-enforces the need for ongoing development of the NWP risk management framework.

Further details of the audits undertaken and the associated findings are reflected in the TIAA SICA report.

5. CBNs & Fraud Alerts Issued in the Period

CBNS and Fraud Alerts received during the period were reviewed and progressed by the management team.

Cyber Crime was a theme in the Fraud Alerts in particular being a feature of 3 of the 4 alerts received in the period. The NWP position in relation to the Cyber Security Threats is subject to a deep dive review and presentation at the March JAC.

6. CURRENT STATUS of the 2020-21 PLAN

The detail regarding plan progress is contained in the SICA report but key points to highlight here are:

- The plan remains on course for completion this FY.
- The audit activity is now starting to scrutinise the processes and controls in place as a result of Covid.

Regarding the latter bullet point we would ask JAC to note that assurance can be taken from the findings to date with no new recommendations emerging purely as a result of practices introduced as a result of Covid.

7. 2021-22 INTERNAL AUDIT PLAN

TIAA have prepared a draft plan for FY21-22 based on a risk assessment taking account of national, industry and North Wales specific risk factors.

In turn, the draft plan has been reviewed by the DFR, CFO, Head of Finance and Budget Officer with a number of changes proposed taking account of the current risk position for the Force. The following risks from the Force risk register will all feature in the audit programme specifically:

TIAA Audit	Force Risk Register	COVID-19 Risk Register
Change Management	46 Digital Transformation	-
HR Management - Strategy	47 Ability to Integrate Uplift Officers	-
Pensions - All Wales Pension Board	71 Pensions	-
Pensions	71 Pensions	-
Data Protection	NEW Data Protection Compliance	-
Data Assurance	NEW Data Protection Compliance	-
Treasury Management	14 Risk of loss of money invested on the money market	-
Wellbeing and Strategy	53 Vicarious trauma	CV09/20 Mental Health - Welfare & Wellbeing of staff socially isolating
Cyber Security	60 Cyber Security Threats	-
Infrastructure Review	5 IT Infrastructure investment	-
Health & Safety	-	CV13/20 Home Working Health and Safety
Organisational Development	-	CV10/20 Imparting culture and ethos on newly recruited remote staff

The resulting draft plan will be presented by TIAA to the Audit Committee for consideration and feedback.

8. OTHER ISSUES of NOTE

This report has been updated in line with action 131a on the Action Log.

We have reflected upon feedback received from JAC members and have updated this report to show where recommendations sit in relation to the force risk register and how they are monitored whilst still outstanding; thus providing assurance to JAC members in relation to Internal Control activity.

If JAC members have any further suggestions with regard to improving the appropriateness of the format and relevance of the content this would be considered by the authors.

Appendix 1

No	ID	Service	Job	Year	Risk Area	Type	Recommendations monitored via	Linked to risk Register
001 002	244671 244672	Internal Audit	Cyber Security	2019	Compliance Risk	Existing	Quarterly Joint Governance Board	60 Cyber risk
003	237156	ICT Audit	GDPR Compliance Audit PO No FN27625	2018	Operational Risk	Existing	Quarterly Joint Governance Board	New Data Protection Compliance
004	242655	Internal Audit	Collaborative Review - Single Online Home	2019	Operational Risk	Existing	Quarterly Joint Governance Board	46 Digital Transformation
005	244459	Internal Audit	Governance - Corporate Communications	2019	Directed Risk	Existing	Quarterly Joint Governance Board; Monthly Performance Review	-
006	247498	Internal Audit	20/21 Expenses and additional payments	2020	Directed Risk	Existing	Quarterly Joint Governance Board	-
007	247346	Internal Audit	20/21 Organisational Development	2020	Directed Risk	Existing	Quarterly Joint Governance Board; Assurance board.	-
008	247494	Internal Audit	20/21 Counter Fraud – Anti-Fraud Procurement	2020	Directed Risk	Existing	Quarterly Joint Governance Board	-
009	248258	Internal Audit	20/21 Data Assurance	2020	Directed Risk	New	Quarterly Joint Governance Board; IS&C	New Data Protection Compliance
010 011	248586 248588	Internal Audit	20/21 Collaborative Risk Management – Mitigating Controls	2020	Directed Risk	New	Quarterly Joint Governance Board; Departmental meetings	-
012 013 014 015 016 017 018	249421 249422 249423 249424 249425 249426 249427	ICT Audit	20/21 Collaborative Project Review – Office 365	2020	Directed Risk	New	Quarterly Joint Governance Board; Digital Transformation Board	46 Digital Transformation Programme
019 020 021 022 023	249469 249470 249471 249472 249473	Internal Audit	20/21 Fleet Management – Fuel Usage	2020	Directed Risk	New	Quarterly Joint Governance Board; Monthly targeted reports to SMT meetings; Quarterly Vehicle user group which reports into the quarterly Strategic Finance Resources Board meetings.	-

Appendix 2 – Latest Management Response relating to Outstanding Recommendations

No	ID	Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Latest Response
001	244671	Cyber Security	Intrusion detection and intrusion protection functionality be implemented.	2	NWP PMO Programme Management Office/NWP ICT	31/07/2021	31/03/2022	12/11/2020 - Update received from Programme Manager Due to Covid-19 delays this has impacted on our readiness to commence the Technology Pilot which has impacted progress, revised dates are now in place: Tech Pilot to be completed by end of November 2020 Business Pilot to be completed February 2021 Full rollout, over the next 12 months, expected completion date February/March 2022
002	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.	2	NWP PMO Programme Management Office/NWP ICT	31/07/2021	31/03/2022	02/02/2021 Update received from Programme Manager Timelines for our deployment are now confirmed but our decision to use the Microsoft Enterprise Mobility and Security Suite will depend on the NEP Blueprint and our own internal requirements for reporting with Lumension. We will review this as we implement NEP over the next couple of years up until 2022.
003	237156	GDPR Compliance Audit PO No FN27625	A review process be introduced to minimise the risks around sensitive data being stored to network drives.	3	Programme Manager, Corporate Programme Office	31/03/2020	31/03/2022	02/02/2021 - Update received from Programme Manager Just starting to understand GDPR controls and how we will cleanse and manage data from Group Drives into the new NEP SharePoint Structure with appropriate automated access controls and safeguards. Proposing a model with SPOCs who will be responsible for data within their department / business area and who will be given advice on how to best manage and maintain for GDPR / MOPI and given an enforced time window for migration of data away from Group Drives. This process will be supported as part of a structured transition for each business area.
004	242655	Collaborative Review - 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.	2	Project Manager	30/10/2020	28/02/2021	01/03/2021 - Update from Project Manager The force Business Analysts are gathering data currently. Each force is doing this separately and there is no collaboration element going on. I have a meeting with the BA's on 02/03/2021 to discuss progress, and will see if there are any trends or benefits we can highlight at this stage or if additional data needs to be gathered for analysis in which case the due date would need to be extended.

No	ID	Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Latest Response
005	244459	Governance - Corporate Communications	An Engagement Annual Report be produced as planned.	2	CEO, OPCC	30/09/2021		23/02/2021 - Update from CEO Recommendation remains on track for completion on original date
006	247498	20/21 Expenses and additional payments	A reminder be sent to staff and line managers that a receipt is required to be submitted with expense claims and that claims are not to be approved in the absence of a receipt or a reasonable explanation for there being no receipt to support the expenditure.	2	Payroll and Pensions Manager	31/03/2021		23/02/2021 - Update received from SSF Manager We have updated the HR Self-Service expenses form which now gives a clear message to the claimant on their responsibilities re. the receipt. The Payroll and Pensions Manager is working on the need to know which will be sent out before the end of the financial year.
007	247346	20/21 Organisational Development	The Learning and Development Policy be reviewed and updated as necessary.	3	Head of Training and Development	31/01/2021	31/03/2021	23/02/2021 - Update from Head of Training and Development The completion of the work is on track for end of March. The L&D Policy has been reviewed and updated along with the associated procedures for financial assistance, assessment standards and quality assurance. The updated content has been re-formatted to align with the Force Assurance Framework and is scheduled to be tabled at the Assurance Board on 16th March. It has also been circulated to Unison and The Federation for feedback. I will provide further update after the 16th March.
008	247494	20/21 Counter Fraud – Anti-Fraud Procurement	The Force’s Modern Slavery and Human Trafficking Statement be signed as reviewed and updated on an annual basis and displayed on the website.	3	Digital Content Developer/ Project Manager	30/11/2020	31/03/2021	08/02/2021 Update received from Project Manager The Web Manager is due to return to work soon and will be able to assist the Digital Content Developer. Recommendation implementation date extended to 31/03/2021
009	248258	20/21 Data Assurance	The Information Security Incident / Personal Data Breaches Procedure be reviewed and updated as necessary.	3	Head of IS&C	31/03/2021		23/02/2021 Update received from Head of Information Standards & Compliance The document has been reviewed by IS&C and some queries raised about the secure disposal of some data bearing items being – have there been any changes? These queries were sent to Facilities (environmental & conservations manager) before Christmas, with a chaser email last week. Once this response is received the document will be updated.

No	ID	Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Latest Response
010	248586	20/21 Collaborative Risk Management – Mitigating Controls	The Force agrees and follows one Risk Management process detailed within a Force wide framework/policy document. This is to include the separate Covid-19 Risk Register and management process.	3	Head of Business Intelligence/ Assurance	31/03/2021		01/03/2021 – Update received from Governance and Policy Lead Work ongoing to review the project management risk management process with a view of brining it in line with the Forces risk management process.
011	248588	20/21 Collaborative Risk Management – Mitigating Controls	A regular meeting (at least quarterly) between all risk representatives (managers) be undertaken to discuss risk and the management of risk across the Forces and move towards a more consistent approach.	2	All Force Risk Leads	31/03/2021		01/03/2021 – Update received from Governance and Policy Lead In the process of agreeing a date with SWP, Dyfed Powys Police and Gwent, with the first meeting hopefully being scheduled in April.
012	249421	20/21 Collaborative Project Review – Office 365	Role based access to every application at all three Forces be defined and documented for every officer and staff role with each business area defining the applications and access levels required for each role.	2	Superintendent, SMT, Corporate Services	31/03/2022		Management Response: IAM solution can provide role-based access to applications that use the Active Directory to allow access. Any application that does not use this method cannot be included in the automated solution but can be documented for the process. Post the delivery of the minimum viable product required by the NEP, which will provide basic role-based access, the approach will be to identify and develop these access roles as part the incremental team based roll out approach for MS365. This approach will see the identification of roles within each team, that can be included in existing access roles or involve the creation of a new one.
013	249422	20/21 Collaborative Project Review – Office 365	Additional support be provided when on boarding officers attached to collaborative units who may have access to applications that have not been previously tested for compatibility with Windows 10.	2	Superintendent, SMT, Corporate Services	31/03/2022		Management Response: Included in the approach to incrementally roll out MS365 and the NEP design team is a preparation phase where a SPOC will be identified within a team to be migrated first and test all application to ensure there are no issues.
014	249423	20/21 Collaborative Project Review – Office 365	Processes be implemented to ensure that future National Enabling Programme design changes can be fully tested and implemented under business as usual.	2	Superintendent, SMT, Corporate Services	31/03/2022		Management response: Maintenance and support ownership and processes currently under review, with the aim for all processes to be in place by April 2021. Management of design changes will fit within existing business change management processes.

No	ID	Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Latest Response
015	249424	20/21 Collaborative Project Review – Office 365	An appropriate information governance framework be implemented to manage the use of power apps.	2	Superintendent, SMT, Corporate Services	31/03/2022		<p>Management Response:</p> <p>A Systems Operating procedure (SysOps) will be developed for MS365 applications including PowerApps .Business rules are currently being established for each application. A DPIA covering the NEP solution has been produced. The need for a specific DPIA for PowerApps will be reviewed during the production of the SysOps.</p>
016	249425	20/21 Collaborative Project Review – Office 365	A benefits realisation review be undertaken 12 to 18 months after the completion of the NEP Office 365 project.	2	Superintendent, SMT, Corporate Services	30/09/2023		<p>Management Response:</p> <p>To be conducted by the PMO</p>
017	249426	20/21 Collaborative Project Review – Office 365	The information asset registers at all three Forces be reviewed and updated subsequent to the implementation of Office 365 and SharePoint.	3	Superintendent, SMT, Corporate Services	30/09/2022		<p>Management Response:</p> <p>Information Asset Ownership is under review as part of our Business Rules work and production of SysOps to be completed prior to commencing full roll out April 2021.The roll out approach will be incremental with services taking ownership of their data held on Microsoft applications as they are on boarded.</p>
018	249427	20/21 Collaborative Project Review – Office 365	The list of applications tested on Windows 10 by Gwent and South Wales and the details of technical challenges faced and the solutions implemented by the two Forces be reviewed by North Wales Police as these documents may be of use in identifying potential issues and the solutions to them applied by the other Forces.	2	Superintendent, SMT, Corporate Services	31/01/2021		<p>01/03/2021 – Update received from Project Manager</p> <p>Some information has come through but it is incomplete, South Wales Police have been contacted again.</p>
019	249469	20/21 Fleet Management – Fuel Usage	A communication be published to inform all relevant Police Officers and Police staff that the purchase of Premium Diesel, Premium Unleaded and Super Unleaded fuel be only purchased if it is absolutely necessarily operationally or it is sanctioned by Fleet Management, to ensure value for money is obtained and to demonstrate effective use of public money.	2	Fleet Manager	01/05/2021		<p>Management Response:</p> <p>NWP do-not own any vehicles that require Premium Fuel. The current use of Premium fuel is on average 1% of the total fuel purchased, The Fleet Admin team challenge the use of Premium Fuel now, and there are examples where there are genuine reasons for using premium fuel. (E.g. no standard diesel available). I do believe however that there are certain individuals who may be frequent users of premium fuel (noting we only record data around the vehicle) The Fleet Manager will prepare a communication to remind all staff not to use premium fuel as per the recommendation, and send a monthly report to each SMT around the use of premium fuel. The Fleet admin team will continue to challenge each transaction. The Fleet team will also publish this data as a high level KPI at the Vehicle User Group on a quarterly basis, so that trends and patterns are scrutinised.</p>

No	ID	Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Latest Response
020	249470	20/21 Fleet Management – Fuel Usage	A review of 'Discount Diesel Fuel Site' prices be undertaken and if relevant all vehicle users be reminded of the requirement to ensure Allstar Cards are swiped rather than via pin entry for each transaction to achieve the Discount Diesel Fuel price.	2	Fleet Manager	01/05/2021		<p>Management Response:</p> <p>The Fleet team have been targeting individual departments to encourage the purchasing of fuel from discount diesel sites and from lower cost sites. Posters have also been placed in all stations which are currently being updated. The Fleet team will provide monthly targeted data for each SMT that will summarise where their vehicles have not made use of the discount diesel initiative or where a cheaper alternative fuel suite may have been used. The Fleet team will also publish this data as a high level KPI for the Vehicle User Group on a quarterly basis, so that trends and patterns are scrutinised. It should be noted that some of the discount Diesel stations are not available as a 24/7 service.</p>
021	249471	20/21 Fleet Management – Fuel Usage	The Police Use of Vehicle Policy be amended to include the statements set out in the body of the report to make the procedures more robust.	3	Fleet Manager	01/04/2021		<p>Management Response:</p> <p>The Fleet Manager is currently reviewing the Policy, and will include this recommendation.</p>
022	249472	20/21 Fleet Management – Fuel Usage	A reminder be sent to all Police vehicle users that Odometer readings must be provided to the petrol station staff when using the Allstar fuel card. This reminder needs to be sent by an appropriately senior employee to give it greater profile. The possibility of naming offending departments needs to be considered.	3	Fleet Manager	01/05/2021		<p>Management Response:</p> <p>I believe it's inevitable there will be some errors in the data, as the driver provides the mileage information verbally and a cashier then keys this data in to the system The Fleet Admin team have a process to clean the data obtained from All-star to ensure our vehicle and transaction records are accurate, as this data is used to determine service intervals It is apparent that there are a small number of individuals who choose not to provide a mileage when purchasing fuel. The Fleet Manager will prepare a communication to each SMT, outlining the need to fill in the data, and include anomalies in a monthly report. The Fleet Admin team will also challenge any transactions where the mileage has been input as a 0.</p>
023	249473	20/21 Fleet Management – Fuel Usage	All Officers be reminded that refuelling at services that are not 'Discount Diesel Fuel Sites' is only acceptable during operational requirements and that this be kept to a minimum.	3	Fleet Manager	01/05/2021		<p>Management Response:</p> <p>The Fleet team have been targeting individual departments to encourage the purchasing of fuel from discount diesel sites and from lower cost sites. Posters have also been placed in all stations which are currently being updated. The Fleet team will provide monthly targeted data for each SMT that will summarise where their vehicles have not made use of the discount diesel initiative or where a cheaper alternative fuel suite may have been used. The Fleet team will also publish this data as a high level KPI for the Vehicle User Group on a quarterly basis, so that trends and patterns are scrutinised. It should be noted that some of the discount Diesel stations are not available as a 24/7 service.</p>

Appendix 3 – Recommendation Categorisation

“Priority” refers to the implementation timeline to adopt:

Description	Priority
URGENT - Fundamental Control issue on which action should be taken immediately.	1
IMPORTANT - Control issue on which action should be taken at the earliest opportunity.	2
ROUTINE - Control issue on which action should be taken.	3

“Category” refers to date revisions as per the below:

Description	Category
Recommendations - still on original due date	1
Recommendations - 1st revised due date	2
Recommendations - 2nd revised due date	3
Recommendations - 3rd revised due date	4
Recommendations - 4th revised due date	5
Recommendations - 5th revised due date	6
Recommendations - Overdue	7

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

Summary Internal Controls Assurance (SICA) Report

2020/21

March 2021

Summary Internal Controls Assurance

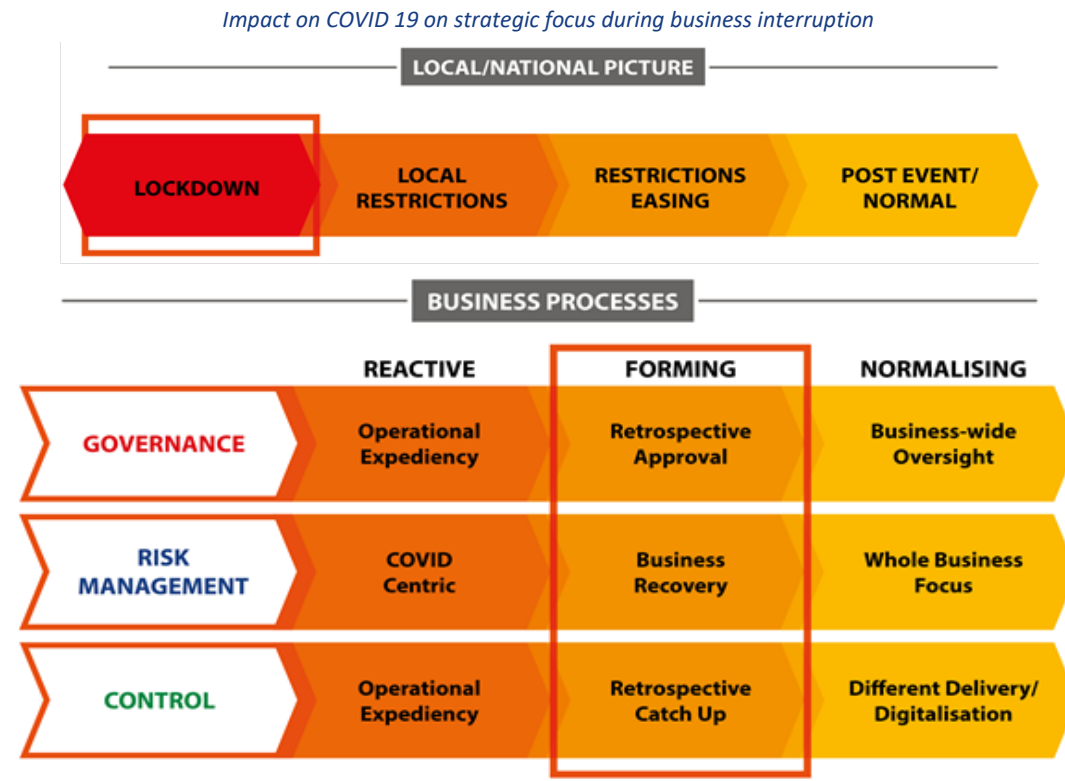
Introduction

- 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 the Police and Crime Commissioner North Wales and Chief Constable North Wales Police as at 3rd March 2021. 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

- COVID 19 is the most significant recent event to impact both strategically and operationally upon modern day Governance, Risk and Internal Control arrangements. It is clear that there has been and will continue to be a number of phases in relation to the move through the pandemic, and that the local and national picture can worsen as well as improve. Each phase has different implications for Governance, Risk and Internal Control arrangements, however, the way in which organisations have transitioned to revised ways of working is not necessarily directly linked to the local or national picture.

The diagrams in the table below signify the assessment of the current local and/or national picture, but also assesses how the organisation has adapted to new ways of working (the 'new normal') at least for the foreseeable future.



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. Six audits from 2020/21 have been finalised since the previous meeting. The table below sets out details of the reports finalised since the previous meeting of the Joint Audit Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Data Assurance	Substantial	4 th December 2020	9 th December 2020	10 th December 2020	-	-	1	-
Collaborative-Risk Management-Mitigating Controls	Reasonable	15 th December 2020	29 th December 2020	7 th January 2021	-	-	2	1
Creditors	Substantial	1 st February 2021	19 th February 2021	11 th February 2021	-	-	-	-
Collaborative Project – Office 365	Reasonable	18 th November 2020	16 th February 2021	17 th February 2021	-	6	1	-
Fleet Management – Fuel Usage	Reasonable	4 th February 2021	16 th February 2021	18 th February 2021	-	2	3	-
Follow Up	N/A	1 st March 2021	2 nd March 2021	2 nd March 2021	-	-	-	-

Progress in actioning priority 1 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. More information is provided in Appendix D.

Root Cause Indicators

6. 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 was completed in Quarter 1 in the new reporting format so no analysis can be provided for this quarter. No recommendations were raised in Quarter 2.

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
Directed						
Governance Framework	N/A	N/A	67% (2)	15% (2)	↓	The percentage has decreased however the number of recommendations has remained the same.
Risk Mitigation	-	-	-	-	N/A	No recommendations to compare
Control Compliance	-	-	33% (1)	85% (11)	↑	The percentage has increased as the number of recommendations has also increased.
Delivery-						
Performance Monitoring	-	-	-	-	N/A	No recommendations to compare
Financial Constraint	-	-	-	-	N/A	No recommendations to compare
Resilience	-	-	-	-	N/A	No recommendations to compare

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. There was an initial delay in commencing fieldwork but we are satisfied that the plan is on track to be delivered by 31st March 2021. Following discussions with the senior management at North Wales Police it has been agreed that some work may be undertaken on site as required and subject to the appropriate risk assessments.
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	Management Response
Ensuring Wording on Job Applications Reflects the Revised DBS Rules	Management have co-ordinated responses for the JAC Meeting

Fraud Alert	Management Response
Scam Calls Regarding NI Number Suspension	Management have co-ordinated responses for the JAC Meeting
Fake NHS COVID-19 Vaccination Alert	
Parking Machine Scam	
Scam Emails: Fake COVID-19	

12. We have reviewed recent guidance issued by the Internal Audit Standards Advisory Board (IASAB) in relation to internal auditing during the COVID-19 pandemic. The guidance aims to support heads of internal audit and individual internal auditors in continuing to meet their personal and professional responsibilities for conforming the UK Public Sector Internal Audit Standards (PSIAS). We can confirm continued conformance with the professional standards during this period.

Responsibility/Disclaimer

13. 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.

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

Area	Possible assurance from internal audit
<p>Governance: 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"> • Urgent decisions taken for urgent operational reasons which would normally have gone through Board review and approval • Extension and rollover of procurement contracts • Disruption to management information received by the Board • Operational necessity for management dispensation to scheme of delegation and financial regulations • Move to remote working for reactive operational expediency reasons, rather than as part of a pre-planned strategy 	<p>Covid-19 Financial Governance: 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>Risk Management: The markers which differentiate COVID 19 pandemic from most business resilience/recovery plans are:</p> <ul style="list-style-type: none"> • Speed of major disruption to business as usual did not permit normal level of preparation • International as well UK-wide, not local • Level of government intervention • Duration and severity • Move to medium term remote working arrangements by staff and suppliers • Consequential impact upon all the previous strategic risks 	<p>Business as Usual Resumption Arrangements: Targeted post-event risk mitigation assessment to identify any unintentional gaps in the risk management framework.</p>
<p>Internal Control: 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"> • Suppliers and contractors being unable to deliver contracted services • Increased digitalisation introduced at very short notice increases information governance risks • Temporary compromise of effective segregation of duties due to staff absences and/or remote working etc • Fraudsters seeking to take advantage of COVID disruption • Deferment and/or reprioritisation of services • Sudden and significant change in demand patterns for services 	<p>COVID-19 Business Interruption Controls Framework: 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>Accountability for Additional COVID-19 Funding: 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

The following Executive Summaries and Management Action Plans are included in the papers provided to the Joint Audit Committee and therefore are not included in this Appendix.


Review	Evaluation
Data Assurance	Substantial
Collaborative-Risk Management-Mitigating Controls	Reasonable
Creditors	Substantial
Collaborative Project – Office 365	Reasonable
Fleet Management – Fuel Usage	Reasonable
Follow Up	N/A

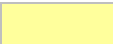
Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Collaborative – Pan Wales			
Risk Management – Mitigating Controls	2	Final report issued 7 th January 2021	Presented to March 2021 JAC
Vetting of Contractors	2	Final report issued 4 th September 2020	Presented to October 2020 JAC
Collaborative Project Review – Office 365 (part of National Enabling programme)	2	Final report issued 17 th February 2021	Presented to March 2021 JAC
Collaborative Budgetary Control	3	Draft report issued 22 nd December 2020	Lead force = South Wales
Procurement	3	Draft report issued 14 th January 2021	It was agreed that North Wales will be considered separately from the collaborative audit which is focusing on the Joint Procurement Unit that is being established in South Wales.
Strategic Resource Planning	3	Planned start 1 st March 2021	Fieldwork ongoing
Collaborative Project Review – Early Action Together (Adverse Childhood Experiences ACES Project)	4	Cancelled	North Wales Police have decided not to participate in this review as the project is no longer funded. An alternative option – Cyber Security of Pensions has been suggested.
Liaison with Audit Wales	1-4		Attendance at Police Practitioner Group meetings
North Wales Only			
Governance – Collaborations	1	Cancelled	Cancelled at the request of Management
Counter Fraud – Anti-Fraud Procurement	1	Final report issued 13 th November 2020	Presented to December 2020 JAC
Organisational Development	1	Final report issued 6 th November 2020	Presented to December 2020 JAC
Pensions	2	Final report issued 10 th November 2020	Presented to December 2020 JAC
Expenses and additional payments	2	Final report issued 11 th November 2020	Presented to December 2020 JAC
Infrastructure Review	2	Planned for 1 st December 2020	Fieldwork ongoing


System	Planned Quarter	Current Status	Comments
Data Assurance	2	Final report issued 10 th December 2020	Presented to March 2021 JAC
Contract Management	2	Cancelled	Cancelled at the request of Management
Eastern Area – Command Unit	2 4	Site worked commenced 15 th February 2021	Fieldwork ongoing
Property Subject to Charge	2	Planned for the end of April 2021	Deferred due to Covid-19 pandemic
Treasury Management	3	Final report issued 24 th August 2020	Presented to December 2020 JAC
General Ledger	3	Final report issued 4 th November 2020	Presented to December 2020 JAC
Payroll	3	Final report issued 13 th November 2020	Presented to December 2020 JAC
Creditors	3	Final report issued 11 th February 2021	Presented to March 2021 JAC
Fleet Management – Fuel Usage	3	Final report issued 18 th February 2021	Presented to March 2021 JAC
Fleet Management Strategy	4	Deferred to 2021-22	
Fleet Management - Repairs	4	Planned for 8 th March 2021	Days to be utilised from cancelled audits
Procurement	4	Planned for 24 th March 2021	
ICT Change Management	4	Planned for 11 th January 2021	APM issued
Collaborative approach	1-4	See above	
Follow-up	4	Final report issued 2 nd March 2021	Presented to March 2021 JAC
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

1	URGENT	Fundamental control issue on which action should be taken immediately.
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Risk Mitigation

	CLEARED	Internal audit work confirms action taken addresses the risk exposure.		ON TARGET	Control issue on which action should be taken at the earliest opportunity.		EXPOSED	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
21002	Ensuring Wording on Job Applications Reflects the Revised DBS Rules		<p>Action Required</p> <p>Employers to reconsider their approach to enquiring about criminal records information to ensure they do so in a way that ensures compliance with the new legislation.</p>

Summary of recent Fraud Alerts

Ref	Subject	Status	TIAA Comments
February 2021	Scam Calls Regarding NI Number Suspension		<p>Action Required</p> <p>This alert provides information and advice to employees about fraud and economic crime, and the risks associated with it. Send details of any scam where the caller is purporting to be from HMRC to their phishing team at; phishing@hmrc.gov.uk If you have fallen victim to fraud or cyber-crime you should report it to Action Fraud by calling 0300 123 2040, or visit: https://reporting.actionfraud.police.uk/ If you think your bank cards have been compromised, contact your bank immediately.</p>
January 2021	Fake NHS COVID-19 Vaccination Alert		<p>Action Required</p> <p>The alert provides information and advice to employees about fraud and economic crime, and the risks associated with it. If you have fallen victim to fraud or cyber-crime you should report it to Action Fraud by calling 0300 123 2040, or visit: https://reporting.actionfraud.police.uk/ If you have given your bank details and think you may have lost money, contact your bank immediately.</p>

Ref	Subject	Status	TIAA Comments
January 2021	Parking Machine Scam		<p>Action Required</p> <p>The alert provides information and advice about fraud and economic crime and the risks associated with it. If you have fallen victim to fraud or cyber-crime you should report it to Action Fraud by calling 0300 123 2040, or visit: https:// reporting.actionfraud. police.uk/ If your bank details have been compromised and you think you may have lost money, contact your bank immediately. The bank can also arrange for your card to be cancelled</p>
January 2021	Scam Emails: Fake COVID-19 Vaccinations Invites (revised version)		<p>Acton Required</p> <p>The alert provides information and advice about fraud and economic crime during the pandemic and the risks associated with it. If you have fallen victim to fraud you should report it to Action Fraud by calling 0300 123 2040, or visit: https:// reporting.actionfraud. police.uk/ If you have given your bank details and think you may have lost money, contact your bank immediately</p>

JOINT AUDIT COMMITTEE

Title:	Risk Management Report (Open Session)
Author:	Sian Wyn Jones, Force Governance and Policy Lead
Purpose of the report:	To provide the Joint Audit Committee with an update on the organisational risk process and an oversight of the current risks recorded by North Wales Police and the North Wales Police and Crime Commissioner.
The report is provided to JAC for: (tick one)	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
Summary / Key Points:	<ul style="list-style-type: none"> • All risks have been reviewed by the Risk and Business Continuity Lead who conducts reviews on a monthly basis. A dated record of the review is made on each risk detail document. • Reminders have been sent to Risk Leads and Action Owners to review and update their ongoing risks either on a monthly or quarterly basis (dependent on the risk type). • Since the previous update all risks on the Force Risk Register have been reviewed in the following meetings with no issues or exceptions having been raised. <ul style="list-style-type: none"> ○ Departmental Senior Management Team Meetings ○ Senior Leadership Team Meeting ○ Strategic Management Board ○ Strategic Executive Board • A summary of live risks recorded on the Force Risk Register up to the 2nd March 2021 and specifically highlighting <ul style="list-style-type: none"> ○ New risks added to the risk register since the last update <ul style="list-style-type: none"> ▪ Risk 68 EU Exit Implications on Holyhead Port ▪ Risk 69 REDACTED CLOSED SESSION ▪ Risk 70 REDACTED CLOSED SESSION ▪ Risk 71 Pensions ▪ Risk 72 Non-compliance with the Data Protection Act ○ Amendments made to the following risks since the last update <ul style="list-style-type: none"> ▪ Risk 11 REDACTED CLOSED SESSION ▪ Risk 13 Inadequate financial resources to deliver service plans ▪ Risk 47 Ability to Integrate Uplift Officers ▪ Risk 53 REDACTED CLOSED SESSION ○ Closure of the following risks since the last update

	<ul style="list-style-type: none"> ▪ Risk 19 REDACTED CLOSED SESSION ▪ Risk 38 Potential Impacts of EU Exit ▪ Risk 50 Recruitment of Inspectors into the FIM Role ▪ Risk 51 REDACTED CLOSED SESSION ▪ Risk 58 Command and Control Upgrade <ul style="list-style-type: none"> • A summary of the Force Risk Register Risk Actions RAG rating, with no concerns highlighted. • Risk 60 REDACTED CLOSED SESSION is subject of a deep dive and will be presented under a separate paper. • Since the previous update all risks on the Force COVID19 Risk Register have been reviewed in the following meetings with no issues or exceptions having been raised. <ul style="list-style-type: none"> ○ Departmental Senior Management Team Meetings ○ Senior Leadership Team Meeting ○ Strategic Management Board • A summary of live risks recorded on the Force COVID19 Risk Register up to the 2nd March 2021 and specifically highlighting amendments made to the following risks since the last update <ul style="list-style-type: none"> ○ Risk CV12/20 Communication Plan/Strategy ○ Risk CV15/20 File Build Training Module • A summary of the Force COVID19 Risk Register Risk Actions RAG rating, with no concerns highlighted. • An update on progress being made with creating departmental assurance maps. • An update in relation to the TIAA Audits conducted during 2020/21. • An update in relation to the review of the Force Risk Appetite Statement.
Recommendations:	None
Risk Register Impact:	This report is based on details recorded on both the Force Risk Register and the COVID19 Risk Register
Assurance Implications:	This report is directly relevant to the development of assurance in North Wales Police
Equality Impact:	None
Information Exempt from Disclosure:	Yes (highlighted in yellow)

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 2nd March 2021 on the Force Risk Register version 5.232 and the COVID19 Risk Register 0.55.

Project risks are managed separately within the Portfolio Management Office; however those that require Force attention are escalated to the Force Risk Register through the agreed process documented in the Risk and Assurance Mapping Framework.

2. FORCE RISK REGISTER SUMMARY

Since the last Joint Audit Committee (JAC) we continue to develop our approach to embedding Risk Management across the organisation. We've continued to ensure greater interaction with the risk leads/owners with either monthly or quarterly (dependent on the risk type) reminders being sent to Risk Leads and Action Owners to review and update their ongoing risks. In addition to this the Risk and Business Continuity Lead has continued to conduct a monthly review of all risks and raised any concerns or issues with SMT's via their monthly update report. Risks have also been reviewed at the Strategic Operational Board, Strategic Management Board and Strategic Executive Board with no issues or exceptions having been raised.

There continues to be networking with other Force Risk Managers to seek out best practice and engagement through Regional Risk Meetings too.

Table 1: - NWP Risks on the Force Risk Register 1st November 2020 – 2nd March 2021

	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
Critical	3	0	0	0	0	3
High	18	4	4	0	0	26
Medium	2	1	1	0	0	4
Low	0	0	0	0	0	0
Negligible	0	0	0	0	0	0
*Undefined	0	0	0	0	0	0
Total	23	5	5	0	0	33

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

Table 2: - OPCC Risks Force Risk Register 1st November 2020 – 2nd March 2021

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

3. NEW RISKS RECORDED ON FORCE RISK REGISTER SINCE LAST REPORT

Risk 68 EU Exit Implications on Holyhead Port

Prior to control measures this was classified as a HIGH risk. This DYNAMIC risk relates to the potential impact EU Exit will have directly or indirectly on traffic management at Holyhead Port and the communities on Anglesey. The exact nature of impacts on resources and demand mean that there is uncertainty on what the effects on policing will be. Existing controls include participating in regular national and regional NPCC EU Exit meetings, key roles being involved in Tactical Co-ordination and Strategic Co-ordination Group meetings centred on Holyhead Port – and in particular, the impacts of non-border ready freight/stacking mitigations on the Isle of Anglesey, a TCG chaired by the Welsh Government, an SCG chaired by NWP, a NWP Silver Planning Group established with attendance from all Bronzes associated with Op Cybi and finally a Silver Room during the EU Exit transition period to include multi-agency partners on a virtual basis. This risk is being managed by CI Owain Llewellyn as the Silver Commander for Ports during the EU Exit and the present risk level is MEDIUM.

Risk 69 – REDACTED CLOSED SESSION

Risk 70 – REDACTED CLOSED SESSION

Risk 71 Pensions

Prior to control measures this was classified as a HIGH risk. This static risk relates to the possibility that costs relating to pensions may increase due to changes in legislation, regulations and court decisions which will could an overall effect on the Forces financial situation. Existing controls include the creation of a pension's hub, completion of a tendering process for an external pension provider and NWP being members of the National Pensions Working Group. This risk is being managed by Guto Edwards and the present risk level is HIGH.

Risk 72 Non – compliance with the Data Protection Act

Prior to control measures this was classified as a HIGH risk. This static risk relates non-compliance with the data protection act due to inadequate information management strategy, policy or associated processes which could potentially cause significant loss of stakeholder confidence, organisational reputation and financial sanctions. Existing controls include periodic internal audits undertaken by TIAA, extensive documentation which includes an Information strategy, policy and associated processes and an experienced and qualified in house team and data protection training for all staff. This risk is being managed by Ian Davies as Chief Information Officer and the present risk level is MEDIUM.

4. RISKS CLOSED FROM FORCE RISK REGISTER SINCE LAST REPORT

Risk 19 – REDACTED CLOSED SESSION

Risk 38 Potential Impacts of EU Exit

Prior to control measures this was classified as a HIGH risk. This DYNAMIC risk related to the potential impacts, directly or indirectly on all force business caused by the EU Exit, although the exact nature of impacts on finances; resources; and demand meant that there was uncertainty on what the effects on policing would be. In April 2019 the risk was lowered to MEDIUM and then in January 2020 it was lowered again to LOW due to inactivity during the

transition period. The risk level was then raised again to MEDIUM at the EU Gold Meeting on the 20th October to reflect the position and increase in activity nationally in preparing for the EU exit at the end of the year. The EU Exit Gold Commander agreed the risk should be closed on the 24th February as an EU Exit deal had been reached and the EU exit had not had an adverse impact on any parts of the Forces business.

Risk 50 Recruitment of Inspectors into the FIM Role

Prior to control measures this was classified as a MEDIUM risk. This STATIC risk related to the recruitment of Inspectors in the FIM role which is a critical function required 24/7 in the FCC. In November 2020 the present risk level was lowered from MEDIUM to LOW following the recent response to the Inspectors Expression of Interest, the successful promotion of one existing temporary FIM and 2 of the FCC sergeants qualifying as ITFCs. The Strategic Operational Board therefore agreed the risk had been treated as the controls had been effective which meant the risk target level had been reached.

Risk 51 – REDACTED CLOSED SESSION

Risk 58 Command and Control Upgrade.

Prior to control measures this was classified as a HIGH risk. This DYNAMIC risk related to the ageing existing hardware that increased the risk of service disruption and the organisation not being able to deliver its Force priorities. In December 2019 the risk level was lowered from MEDIUM to LOW as Chief Officers and the PCC had selected the option to upgrade the hardware and software in the FCC to cover the at risk period and this IT has been ordered and will be supplied in early 2021 which will allow for a full upgrade of the CAD in 2021. The installation of the IT is classed as business as usual therefore the Operational Support Services SMT agreed the risk had been treated as the controls had been effective which meant the risk target level had been reached.

5. RISK CHANGES ON FORCE RISK REGISTER SINCE LAST REPORT

Risk 11 – REDACTED CLOSED SESSION

Risk 13 Inadequate Financial Resources to Deliver Service Plans

Prior to control measures this was classified as a HIGH risk. This risk relates to finance and resources being inadequate to deliver service plans. In February 2021 the risk type was changed from DYNAMIC to STATIC and the present risk level was lowered to MEDIUM following a decision at the Finance and Resources SMT on the 20th January to reflect the recent financial settlement and the organisational planning work to balance the budget.

Risk 53 – REDACTED CLOSED SESSION

Risk 47 Ability to Integrate Uplift Officers

Prior to control measures this was classified as a HIGH risk. This STATIC risk (previously a DYNAMIC risk) relates to the effective integration of the 20,000 additional officers being provided nationally by the government. The present risk level was lowered to LOW in January 2021 following the completion of a number of the risk actions which provided additional mitigations for the risk.

6. FORCE RISK REGISTER ACTIONS

Table 3: - Risk Actions RAG Rating

Actions Not on Track	Actions On Track but with Issues	Actions On Track	Completed Actions
0	0	38	62

All risk actions remain on track with no issues highlighted.

7. FORCE COVID19 RISK REGISTER SUMMARY

Table 4: - Covid19 Force Risk Register 1st November 2020 – 22nd February 2021

	Previous total	Closed in this period	New in this period	Changed Risk Level	Current COVID19 Risks Total
Critical	0	0	0	0	0
High	6	0	0	0	6
Medium	2	0	0	0	2
Low	3	0	0	0	3
Negligible	0	0	0	0	0
*Undefined	0	0	0	0	0
Total	11	0	0	0	11

8. NEW RISKS RECORDED ON THE FORCE COVID19 RISK REGISTER SINCE LAST REPORT

There have been no new risks added to the Force COVID19 Risk Register since the last report.

9. RISKS CLOSED FROM THE FORCE COVID19 RISK REGISTER SINCE LAST REPORT

There have been no risks Closed on the Force COVID19 Risk Register since the last report.

10. RISK CHANGES ON THE FORCE COVID19 RISK REGISTER SINCE LAST REPORT

Risk CV12/20 Communication Plan/Strategy

Prior to control measures this was classified as a LOW risk. This DYNAMIC risk relates to messages not being communicated clearly and received by staff which means they will be unaware of the rules leading to confusion and anxiety. The present risk level was lowered to NEGLIGIBLE in February 2021 following completion of all the actions. As the risk has now reached its target risk level, it will be considered for closure at the next COVID19 Tactical Recovery Group.

Risk CV15/20 File Build Training Module

Prior to control measures this was classified as a MEDIUM risk. This DYNAMIC risk relates to Probationers and Direct Entry Detectives not being confident or competent to build case files independently due the cancellation of 3 Case File Build Courses between April and August 2020. The present risk level was lowered to NEGLIGIBLE in November 2020 following completion of all the actions. As the risk has now reached its target risk level, it will be considered for closure at the next COVID19 Tactical Recovery Group.

11. FORCE COVID19 RISK REGISTER ACTIONS

Table 5: - Risk Actions RAG Rating

Actions Not on Track	Actions On Track but with Issues	Actions On Track	Completed Actions
0	0	6	20

All risk actions remain on track with no issues highlighted.

12. DEVELOPMENTS REGARDING RISK MANAGEMENT

12.1 ASSURANCE MAPPING UPDATE

The Finance and Resources Assurance Map is complete, with almost all actions identified on the action monitoring log complete.

Work commenced with Corporate Service to undertake their assurance mapping exercise with all meetings initially scheduled to be complete by the end of November with a view to presenting the draft Assurance Maps to the Corporate Services SMT mid-December. However, whilst progress has been made, capacity within the team has been affected with the Risk and Business Continuity Lead being on long term absence, resulting in the work being put on hold until the Assurance Team is back to full capacity.

12.2 RISK AUDIT BY TIAA REDACTED CLOSED SESSION

12.3 RISK APPETITE

The Force Risk Appetite has been revised and agreed by the Senior Leadership Team on the 23rd February 2021 and will be presented under a separate report for your information.

12 FORCE RISK REGISTER AS AT 02/03/2021

URN	Risk Title	Risk Levels			Risk Type	Last Review Date	Outstanding Risk Action Progress			
		Before Controls	Present	Target			Total Number of Outstanding Actions	On Track	On Track but with Issues	Not on Track
3	RMS Legacy Database	High	Med (Force)	Low	Static	08/01/21	1	1		
5	IT Infrastructure investment	High	Low	Low	Static	08/10/20	1	1		
9	Adequacy of financial resources	Critical	High	Med (Force)	Static	08/02/21	1	1		
10	REDACTED CLOSED SESSION	High	Med (Force)	Low	Static	14/12/20	1	1		
11	REDACTED CLOSED SESSION	High	Low	Negligible	Static	22/02/21	1	1		
13	Inadequate financial resources to deliver service plans	Critical	Med (Force)	Med (Force)	Static	17/02/21	1	1		
14	Risk of loss of money invested on the money market	Critical	Low	Low	Static	15/12/20	1	1		
46	REDACTED CLOSED SESSION	High	High	Med (Force)	Static	25/01/21	2	2		
47	Ability to Integrate Uplift Officers	High	Low	Low	Static	04/02/21	1	1		
53	REDACTED CLOSED SESSION	High	Med (Force)	Med (Force)	Static	21/12/20	2	2		
54	REDACTED CLOSED SESSION	High	Med (SMT)	Low	Dynamic	08/01/21	1	1		
55	FHQ Backup Power Generator and Uninterrupted Power Supply (UPS)	High	Low	Low	Dynamic	25/02/21	1	1		
57	ESN proves to be an unviable or sub optimal solution given national and local concerns relating to the delivery parameters of Time, Cost & Quality.	High	High	Low	Static	08/12/20	2	2		
59	REDACTED CLOSED SESSION	High	Low	Low	Static	08/01/21	0			

60	REDACTED CLOSED SESSION	High	Med (Force)	Med (Force)	Static	17/12/20	1	1		
63	Pandemics	Critical	High	Med (Force)	Static	02/12/20	1	1		
64	REDACTED CLOSED SESSION	Med (Force)	Med (Force)	Low	Dynamic	05/02/21	1	1		
65	REDACTED CLOSED SESSION	High	High	Med (Force)	Dynamic	20/01/21	5	5		
66	REDACTED CLOSED SESSION	High	Med (SMT)	Low	Dynamic	18/02/21	2	2		
67	REDACTED CLOSED SESSION	High	Med (Force)	Low	Dynamic	18/02/21	1	1		
68	EU Exit Implications on Holyhead Port	High	Med (Force)	Low	Dynamic	13/01/21	1	1		
69	REDACTED CLOSED SESSION	High	Med (Force)	Low	Static	New Risk	2	2		
70	REDACTED CLOSED SESSION	Med (Force)	Med (Force)	Low	Static	New Risk	2	2		
71	Pensions	High	High	Med (Force)	Static	New Risk	4	4		
72	Non – compliance with the Data Protection Act	High	Med (Force)	Low	Static	New Risk	2	2		

13 FORCE COVID19 RISK REGISTER AS AT 02/03/2021

URN	Risk Title	Risk Levels			Risk Type	Last Review Date	Outstanding Risk Action Progress			
		Before Controls	Present	Target			Total Number of Outstanding Actions	On Track	On Track but with Issues	Not on Track
CV04/20	REDACTED CLOSED SESSION	High	Med (Force)	Med (SMT)	Static	15/01/21	1	1		

CV05/20	REDACTED CLOSED SESSION	High	Med (Force)	Low	Static	17/12/20	1	1		
CV07/20	Insurance for work equipment whilst working from home	Med (Force)	Med (Force)	Low	Dynamic	25/01/21	1	1		
CV08/20	Staff returning to NWP Premises	High	Med (Force)	Low	Dynamic	29/01/21	1	1		
CV09/20	REDACTED CLOSED SESSION	Low	Low	Low	Dynamic	17/12/20	0	0		
CV10/20	Imparting culture and ethos on newly recruited remote staff	Low	Low	Low	Dynamic	29/01/21	1	1		
CV11/20	REDACTED CLOSED SESSION	High	Med (Force)	Low	Dynamic	19/02/21	1	1		
CV12/20	Communication Plan/Strategy	Low	Negligible	Negligible	Dynamic	29/01/21	0	0		
CV13/20	Home Working Health and Safety	High	Low	Low	Dynamic	29/01/21	0	0		
CV14/20	REDACTED CLOSED SESSION	High	High	Med (Force)	Dynamic	29/01/21	0	0		
CV15/20	File Build training module	Med (Force)	Negligible	Negligible	Dynamic	17/12/20	0	0		

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



Joint Audit Committee

Meeting Date: 30 March 2021

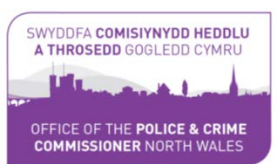
Title:	Proposed Work Programme
Author:	Chief Finance Officer
Purpose of the report:	To agree the work programme
The report is provided to JAC for: (tick one)	<input type="checkbox"/> X Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input type="checkbox"/> Information
Summary / Key Points:	<ul style="list-style-type: none"> • 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 • we have listened to feedback from the Joint Audit Committee, and have added the following items to be brought to future meetings: <ul style="list-style-type: none"> ○ information management and compliance ○ provision of internal audit service
Recommendations:	<ul style="list-style-type: none"> • 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. • For members of the Committee to consider additional content which might be presented at future meetings. • For the future work programme to be brought to each meeting, outlining the work for the forthcoming twelve months on a rolling basis.
Risk register impact:	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.
Assurance implications:	
Equality Impact:	Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee. There is a Joint Equalities’ Scheme in place.
Information exempt from disclosure:	None.

JOINT AUDIT COMMITTEE

30 March 2021

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:

Date of Meeting	Work Programme 2021/22
All (Until Further Notice)	<ul style="list-style-type: none"> • Business Update • HMICFRS Update • Internal Audit Update • Risk Update • Work Programme

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

Date of Meeting	Work Programme 2021/22
Spring 2021	<ul style="list-style-type: none"> • Welsh Joint Audit Committees annual event
June 2021	<ul style="list-style-type: none"> • 2020/21 accounts – technical briefing
29 July 2021	<ul style="list-style-type: none"> • ISA 260 and signing of accounts <i>to be signed by 31 July 2021</i> • Governance update; assurance from high-level meetings for JGB (will be at March meeting in future years) • Review of JAC Terms of Reference • Value for money • Self-assessment and Annual report of JAC – final report • Deep dive: Cyber
6 October 2021	<ul style="list-style-type: none"> • Governance update (incl. FM Code review) • Treasury Management Performance • Information management and compliance • Deep dive: tbc
8 December 2021	<ul style="list-style-type: none"> • Audit Wales – Value for Money and Annual Audit Report (Management Letter) • Legal report • Risk strategy & risk appetite statement – Annual review • Governance update

	<ul style="list-style-type: none"> • Ethics • Treasury Management Performance
March 2022	<ul style="list-style-type: none"> • Capital Strategy (including the Treasury Management Strategy) <i>to be approved before 1 April 2022</i> • Governance update – including draft AGS; Audit Wales – annual plan • Force management statement • Risk strategy & risk appetite statement – Annual review • JAC Annual Report - draft report and discussion • Deep Dive – Safer Streets/Commissioning • Audit Wales – AW staff member from data analytics team to attend meeting • Ethics Committee

Provisional Risk Deep Dive Programme	<ul style="list-style-type: none"> • Cyber (July 2021) • ICT Sourcing Strategy (TBC)
Prior Risk Deep Dives to reference in Periodic Risk Report	<ul style="list-style-type: none"> • Command & Control • ICT Sourcing Strategy, etc
Other items to be discussed with JAC	Provision of internal audit services

4. IMPLICATIONS

4.1	Equality	Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee. There is a Joint Equalities' Scheme in place.
4.2	Financial	Planning the work for the forthcoming year reduces the need for ad-hoc meetings.
4.3	Legal	Legislation requires that a Joint Audit Committee be established. The functions of the Joint Audit Committee are summarised within its Terms of Reference , 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.
4.4	Community	Meeting papers and minutes are published, and the meetings are open for the public to attend.

4.5	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.
4 .6	Police and Crime Plan	The role of the Joint Audit Committee is part of the overall Police and Crime Plan.

Report Author:

Kate Jackson

Chief Finance Officer, Office of the Police and Crime Commissioner



Joint Audit Committee

Meeting Date: 30 March 2021

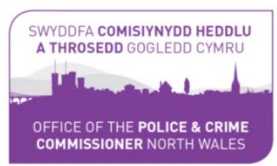
Title:	Draft Annual Capital Strategy and Treasury Management Report 2021-22
Author:	Chief Finance Officer
Purpose of the report:	To give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of police services along with an overview of how associated risk is managed and the implications for future financial sustainability.
The report is provided to JAC for: (tick one)	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
Summary / Key Points:	<ul style="list-style-type: none"> • This report stems from CIPFA’s Treasury Management (TM) in the Public Services Code of practice and there is a legal requirement to abide by the Code. • It gives details of the Capital Programme, Revenue Provision for Borrowing and the Treasury Management and Investment Strategy 2020/21 to 2025/26, which are attached in the appendices. • It deals with the investment of surplus cash and any borrowing requirements. • It highlights the authorised limits and indicators within which the TM function operates on a daily basis.
Recommendations:	The report is submitted to the Joint Audit Committee for information and comment, and to give its assurance prior to submission to the Police and Crime Commissioner
Risk register impact:	No impact – the arrangements are designed to manage the risk from investing and borrowing.
Assurance implications:	The report sets out the rules and limits for investing and borrowing money per the TM Strategy for 2021-22. There are no significant changes from last year’s TM Strategy.
Equality Impact:	No impact.
Information exempt from disclosure:	No exempt information.

JOINT AUDIT COMMITTEE

30 March 2021

Draft Capital Strategy Report Executive Summary 2020-21 to 2025-26

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



1. The enclosed draft report meets the requirements of CIPFA's Treasury Management in the Public Services Code of practice which the Police and Crime Commissioner is legally required to follow. The main document, the Capital Strategy, brings together the Capital Programme, Revenue Provision for Borrowing, Treasury Management and Investment Strategy and the Treasury Indicators; with the intention of simplifying what is a highly technical area. However, as the report is still highly technical, this covering report will briefly explain the overall purpose and highlight what the Police and Crime Commissioner is being asked to agree in adopting the Strategy. The Strategy and its constituent elements have to be agreed annually by the Police and Crime Commissioner. The purpose of presenting this report to the Joint Audit Committee is for discussion and comment prior to submission to the Police and Crime Commissioner.
2. There are no fundamental changes to the strategy this year (see minor change in point 12 below).
3. The overall purpose of the Capital Strategy is for the Police and Crime Commissioner to:
 - Formally agree the Capital Programme (Appendix A)
 - Agree which method is adopted for the repayment of debt via the Minimum Revenue Provision Statement (MRP) (Appendix B)
 - Provide the strategy framework for Treasury Management which encompasses borrowing for capital expenditure and investing residual balances (Appendix C)
 - Agree the Treasury Indicators that set limits on the levels of borrowing, as well as limits on the types of counterparties for investments (Appendix C)
4. The Capital Programme has been agreed by the Chief Constable and the Police and Crime Commissioner as part of the planning cycle feeding into the Medium Term Financial Plan (MTFP). A further exercise has since been undertaken to re-assess the phasing of individual capital projects which has resulted in a change in the timing of the projects but not the overall costs (Table 1 and Appendix A).
5. A primary and critical requirement is that the Capital Programme is affordable within the resources available - this is achieved by a combination of external funding, own resources (in year budget or reserves) or debt. The programme is affordable and the split in financing is shown in Table 2.

- 6.** Debt must be repaid; this is done through the revenue budget by means of the minimum revenue provision (MRP). There is statutory guidance in relation to how the debt is serviced. Historical debt (pre 2008) is repaid based on the rules that were in place at the time of 4% reducing balance. For capital expenditure incurred after 31.3.2008 the MRP is determined by charging the expenditure over the useful life of the asset. Table 3 summarises the cost, and further details are contained in Appendix C.
- 7.** The total debt relating to capital is called the Capital Financing Requirement (CFR). Movement in the CFR is summarised in Table 4. The total CFR increases from a projected £30.5m at 31.3.2021 to £40.5m at 31.3.2026.
- 8.** One source of internal funding is Capital Receipts, these are the proceeds from the sales of assets, and these can only be used to fund capital expenditure. The projected movement in Capital Receipts are shown in Table 5.
- 9.** The Treasury Management strategy relates to the management of cash balances in terms of borrowing and investments. Priority is given to security of funds, followed by liquidity and then yield. Section 3 of the Capital Strategy summarises the TM strategy with the details in Appendix C.
- 10.** In terms of borrowing a balance is struck between external and internal borrowing and long and short term borrowing. This is slightly complicated by funding income not being received consistently through the year with one large payment being received each July (Appendix C, Graph 1). Short Term loans have lower interest rates but this can change over time.
- 11.** Investments are tightly controlled minimising risk as far as possible by managing counter parties through credit and other ratings, and limiting the amount and length of investments.
- 12.** The previous Strategy set a minimum liquidity level of £10m – this has been expanded for practical purposes to also allow a lower operational limit of £7.5 million for a maximum of 14 days to avoid unnecessary short term borrowing (see Appendix C, paragraph 6.3)
- 13.** Table 10 shows the total financing costs as a percentage of net revenue budget, this is projected to increase from 3.50% to 3.95% from 2021-22 to 2025-26.
- 14.** Professionally qualified and specifically trained staff have responsibility for making decisions relating to capital expenditure, investments and borrowing. In addition to this professional advisors are retained to provide advice and guidance in these technical areas.

Capital Strategy Report 2021/22 (Draft)

1. Introduction

- 1.1. This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2. Decisions made this year on capital and treasury management will have financial consequences for the Police and Crime Commissioner for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2. Capital Expenditure and Financing

- 2.1. Capital expenditure is where the Police and Crime Commissioner spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 2.2. The draft Capital Programme was presented to the Strategic Executive Board (SEB) on 21st January 2021 as part of the Medium Term Financial Plan, and agreed subject to the final ratification of this Capital Strategy. A further exercise has been undertaken to re-assess the phasing of individual capital projects which has resulted in a change in the timing of the projects but not the overall costs. The Police and Crime Commissioner is planning capital expenditure as summarised below, with details as shown in **Appendix A**:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
	£m	£m	£m	£m	£m	£m	£m
Total Capital Expenditure	6.4	6.1	15.1	17.8	5.0	5.6	5.4

- 2.3. **Governance:** The Police and Crime Commissioner's assets and infrastructure need continual investment in order to ensure an efficient and modern working environment. Strategies for the Estates, IT and Fleet were developed last year and a new Capital Programme agreed in 2020-21. The implementation of Operation Uplift; reviewing the requirements as part of the planning cycle; and the COVID recovery plan, has resulted in revisions to the planned Programme. COVID has resulted in some re phasing of the Programme due to delays. Major

projects such as ESN (Emergency Services Network) and the Command and Control System upgrade have also been under review. The summary of the changes in each area are:

- Revised Estates Programme £17.3m – an increase of £0.427m from last year’s programme
- Revised Fleet Programme £8.2m – a reduction of £0.341m per annum of direct revenue funding
- Revised IT Programme £21.1m -
 - Known future major requirements – Command and Control (£2.5m), ESN (£7.2m+£0.9m), IT Sourcing (£1.0m)
 - Future replacements of laptops/2 in 1’s/Desktops (£2.9m), Body Worn Video (£1.0m), Life X (£1.1m) and other smaller projects.

2.4. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Police and Crime Commissioner’s own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
	£m	£m	£m	£m	£m	£m	£m
External sources	0.5	0.1	0.1	0.1	0.1	0.1	0.1
Capital resources	0.3	0.0	0.2	0.1	0.3	0.7	0.1
Revenue resources	3.7	3.3	7.4	4.2	2.1	2.1	2.0
Debt	1.9	2.7	7.4	13.4	2.5	2.7	3.2
TOTAL	6.4	6.1	15.1	17.8	5.0	5.6	5.4

2.5. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP repayments are as follows:

Table 3: Replacement of debt finance in £ millions

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
	£m	£m	£m	£m	£m	£m	£m
Budgeted MRP (Own resources)	2.4	2.6	2.8	3.1	4.4	4.3	4.6

- The Police and Crime Commissioner’s full minimum revenue provision statement is shown in Appendix B to this report.

2.6. The Police and Crime Commissioner’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £4.6m during 2021/22. Based on the above figures for expenditure and financing, the Police and Crime Commissioner’s estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
	£m	£m	£m	£m	£m	£m	£m
Total CFR	30.4	30.5	35.1	45.4	43.5	41.9	40.5

2.7. **Asset management:** To ensure that capital assets continue to be of long-term use, the Police and Crime Commissioner has an asset management strategy in place.

2.8. **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Police and Crime Commissioner is not anticipating to receive any significant capital receipts in the coming financial years.

Table 5: Capital receipts receivable in £ millions

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
	£m	£m	£m	£m	£m	£m	£m
Opening balance	0.0	0.1	2.0	2.8	2.9	3.0	2.7
Receipts	0.4	2.0	1.0	0.2	0.5	0.4	0.0
Budgeted use	0.3	0.1	0.2	0.1	0.4	0.7	0.0
Balance	0.1	2.0	2.8	2.9	3.0	2.7	2.7

3. Treasury Management

- 3.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Police and Crime Commissioner's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Police and Crime Commissioner is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.2. The Treasury Management Strategy (Appendix C) sets out the parameters under which the Treasury Management activities are governed and monitored. These are based on prioritising security first, liquidity second and yield last. This does reduce potential investment income but minimises the risk of losing money through riskier investments. The below summarises the main points of the Treasury Management Strategy.
- 3.3. **Borrowing strategy:** The Police and Crime Commissioner's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Police and Crime Commissioner therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.5%).
- 3.4. The Borrowing Strategy is also balanced by revenue cash available being used rather than borrowing, known as internal borrowing. Internal borrowing has been used extensively over recent years generating savings in interest charges per year and reducing risk by not investing cash. However, use of reserves to fund Capital has reduced the available amounts to internally borrow. Another factor to consider is that the Police and Crime Commissioner's income is not constant during the year; this is due to a Pension Grant of around £25m being received in one lump sum each July.
- 3.5. Projected levels of the Police and Crime Commissioner's total outstanding debt (which comprises borrowing, PFI liabilities, and leases) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
	£m	£m	£m	£m	£m	£m	£m
Debt (incl. PFI & leases)	24.8	18.4	17.1	15.7	14.1	12.5	10.7
Capital Financing Requirement	30.4	30.5	35.1	45.4	43.5	41.9	40.5

3.6. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Police and Crime Commissioner expects to comply with this in the medium term.

3.7. **Liability benchmark:** To compare the Police and Crime Commissioner’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
	£m	£m	£m	£m	£m	£m	£m
Outstanding borrowing	14.9	9.4	8.9	8.4	7.9	7.4	6.9
Liability benchmark	9.4	-1.3	11.9	26.5	28.6	29.0	29.5

The outstanding borrowing in the table above shows the current level of committed borrowing, and the liability benchmark is an indicator of the maximum we may need to borrow in order to keep cash and investment balances above £10m. The actual level of borrowing will depend on cashflow throughout the year and will be somewhere between the two levels outlined above.

3.8. **Affordable borrowing limit:** The Police and Crime Commissioner is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £millions

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
	£m	£m	£m	£m	£m	£m
Authorised limit – borrowing	25.8	27.9	39.1	38.3	37.8	37.6
Authorised limit – PFI and leases	9.1	8.2	7.3	6.2	5.1	3.9
Authorised limit – total external debt	34.9	36.1	46.4	44.5	42.9	41.5
Operational boundary – borrowing	23.8	25.9	37.1	36.3	35.8	35.6
Operational boundary – PFI and leases	9.1	8.2	7.3	6.2	5.1	3.9
Operational boundary – total external debt	32.9	34.1	44.4	42.5	40.9	39.5

Further details on borrowing are in the treasury management strategy.

3.9. **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

3.10. The Police and Crime Commissioner’s policy on treasury investments is to prioritise security and liquidity over yield - that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Police and Crime Commissioner may request its money back at short notice.

Table 9: Treasury management investments in £millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
	£m	£m	£m	£m	£m	£m	£m
Near-term investments	15.5	20.6	10.0	10.0	10.0	10.0	10.0
Longer-term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	15.5	20.6	10.0	10.0	10.0	10.0	10.0

- 3.11. **Risk management:** The effective management and control of risk are prime objectives of the Police and Crime Commissioner's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
- 3.12. **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and staff, who must act in line with the treasury management strategy approved by the Police and Crime Commissioner and Joint Audit Committee (JAC). End of year and half year reports on treasury management activity are presented to SEB and JAC. The JAC is responsible for scrutinising treasury management decisions.
- 3.13. **Liabilities:** In addition to debt detailed above, the Police and Crime Commissioner is committed to making future payments to cover its pension fund costs. Police Officers' pension scheme is an unfunded scheme which is underwritten by the Government, and the liabilities stand at £1,793.0m as at 31.3.20. The cost to the Police and Crime Commissioner is the employer contribution rate, which is currently 31%. The deficit on the Staff Pension fund stood at £85.0m as at 31.3.20, this is also managed through the contribution rate which is currently set at 19%. The Police and Crime Commissioner has also set aside £1.2m as a provision to cover risks of insurance claims and employment cases. The Police and Crime Commissioner is also at risk of having to pay for claims lodged with the Central London Employment Tribunal. These risks have been recognised as Contingent Liabilities in the Statement of Accounts, but the Police and Crime Commissioner has not put aside any money because the claims are subject to appeal, and there is uncertainty regarding remedy and quantum.
- **Governance (liabilities):** Decisions on incurring new discretionary liabilities are taken by the Chief Officer Team in consultation with the Police and Crime Commissioner and his Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance and reported to the Strategic Management Board (SMB) and SEB as necessary. Details of contingent liabilities as at 31 March will be included in the Statement of Accounts.

4. Revenue Budget Implications

- 4.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP for reducing the CFR and direct revenue contributions to capital are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from the Police and Crime Commissioner's Council Tax and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
	£m	£m	£m	£m	£m	£m	£m
Financing costs (£m)	6.1	6.3	6.1	6.1	7.3	7.2	7.5
Proportion of net revenue stream (%)	3.95%	3.87%	3.50%	3.43%	4.03%	3.92%	3.95%

- 4.2. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Police and Crime Commissioner’s Chief Finance Officer and the Director of Finance and Resources are satisfied that the proposed capital programme is prudent, affordable and sustainable as there are revenue streams or reserves in place to fund the Programme as set out. It is likely that additional resources will need to be budgeted for future investments beyond the current Programme.

5. Knowledge and Skills

- 5.1. The Police and Crime Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Training is provided to all staff involved in making capital expenditure, borrowing and investment decisions.
- 5.2. Where the Police and Crime Commissioner’s staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Police and Crime Commissioner currently employs Arlingclose Limited as treasury management advisers, Wilks Head and Eve as property consultants and BDO as tax consultants. This approach is more cost effective than employing such staff directly, and ensures that the Police and Crime Commissioner has access to knowledge and skills commensurate with its risk appetite.

APPENDIX A

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Description	Revised Estimate	Est	Est	Est	Est	Est	Project Costs (inc pre 20-21)
	£000	£000	£000	£000	£000	£000	£000
<u>Estate Programme</u>							
Retentions, Consultancy and QS	25						25
Sustainability Improvements	0	202	100	100	100	100	602
Estates estimate 25-26 onwards						2,000	2,000
Pwllheli PS	879						879
Holyhead PS	0	750	2,593				3,343
FHQ Complex + Canteen	175						175
Caernarfon & North Gwynedd Estate Area	0	800					800
VCC / Vehicle Workshop	800	2,070					2,870
Dolgellau PS					1,000		1,000
Abergele PS			391				391
Llanrwst PS					178		178
Flintshire Hub		500	4,000	1,500			6,000
Force Control Room Upgrading			100				100
Archive Store				750			750
Rhosllanerchrugog PS					190		190
Re locate/ co locate/ vacate	0	350					350
Custody CCTV	0						0
Firearms Base works	10	282					391
CS - SARC ISO Accreditation		150					150
Total Building Works	1,889	5,104	7,184	2,350	1,468	2,100	20,295
<u>Vehicles and Other Equipment</u>							
Vehicle Purchase Replacement Programme	1,850	1,847	1,981	1,426	1,426	1,426	9,956
Tranman development	0	75					75
Dexun System (Strategic Control Centre)	22						78
Intoxilators x 3	30						30
ANPR replacement	0	470					470
Collision Surveying Equipment	131						131
Total Vehicles and Other Equipment	2,033	2,392	1,981	1,426	1,426	1,426	10,740

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Description	Revised	Est	Est	Est	Est	Est	Project
	Estimate						Costs
	£000	£000	£000	£000	£000	£000	£000
Information Technology and Communication Equipment							
Desk Top Replacement (Replacement Programme)	1,100	437	750	750	750	300	6,960
Lockers for charging and storage	50	150					200
Mobile app		471					471
Server Replacement		700				700	2,072
Business Systems Servers (Replacement Programme)		145				150	457
Mobile data devices	0	566			0	460	1,976
Airwave (replacement units)	79						533
DFU Server replacement				270			562
Mobile Responder App	0	0					114
NEP Infrastructure/Sail Point/Internet Links	430	146					1,265
Connectivity Software	0						0
Wifi	52	354					500
Digital Workplace audio visual	0	126					200
Single on line Home (Digital Public Contact)		0					0
Digital Intelligence & Investigation		196					196
DFU Automate	15						15
Digital Evidence Management	125						125
CISCO Telephony	0	250					250
Nexus Memory Upgrade	13	37					50
Backup	30						157
LAN	20	60					80
Unsupported systems (Risk Register)	86	38					124
ICAD Upgrade Phase 1	105	25					172
Command and Control Upgrade - Phase 2		2,458					2,458
Body Worn Video	60						592
GIS Update	0						70
LPS - Community Safety - Prevention		30					30
CS - COTS Standard Surveillance (RIPA) System		80					80
CS - CHIS system		88					88
POD - 360 Virtual Training		53					53
Digital - BIU - Mgmt Info Data Warehouse		50					50
CHORUS new module		35					35
ICT Sourcing Strategy		250	750				1,000
Life-X Deployment			300		800		1,100
Emergency Service Network		686	6,560		900		8,146
NEP Device Re-build		175					175
Body Worn Video (replacement costs)			244	243	244	244	974
Total Information Technology and Communication	2,165	7,606	8,604	1,263	2,694	1,854	31,330
Total Capital Expenditure	6,087	15,102	17,769	5,039	5,588	5,380	62,365

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Description	Revised Estimate	Est	Est	Est	Est	Est
	£000	£000	£000	£000	£000	£000
Total Building Works	1,889	5,104	7,184	2,350	1,468	2,100
Total Vehicles and Other Equipment	2,033	2,392	1,981	1,426	1,426	1,426
Total Information Technology and Communication	2,165	7,606	8,604	1,263	2,694	1,854
Total Capital Expenditure	6,087	15,102	17,769	5,039	5,588	5,380
Funding						
Home Office Grant	123	123	123	123	123	123
Revenue Contribution	2,691	2,070	2,054	2,053	2,053	1,968
Earmarked Reserves	539	5,289	2,100	0	0	0
Capital Receipts	55	242	100	370	750	100
Borrowing for Estates	1,854	4,580	7,084	2,250	718	2,000
Borrowing for replacement programme	825	2,798	6,308	243	1,944	1,189
Total Funding	6,087	15,102	17,769	5,039	5,588	5,380
External sources	123	123	123	123	123	123
Own resources	3,285	7,601	4,254	2,423	2,803	2,068
Debt	2,679	7,378	13,392	2,493	2,662	3,189
TOTAL	6,087	15,102	17,769	5,039	5,588	5,380

Annual Minimum Revenue Provision Statement 2021/22

Where the Police and Crime Commissioner finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Police and Crime Commissioner to have regard to Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2018.

The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Police and Crime Commissioner to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance:

- For capital expenditure incurred before 1st April 2008, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure. *(Option 2)*
- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3)*
- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.

Based on the Police and Crime Commissioner's latest estimate of its capital financing requirement (CFR) on 31st March 2021, the budget for MRP has been set as follows:

	31.03.2021 Estimated CFR £m	2021/22 Estimated MRP £
Capital expenditure before 01.04.2008	7.5	0.3
Capital expenditure after 31.03.2008	13.9	1.6
Leases and Private Finance Initiative	9.1	0.9
Total General Fund CFR	30.5	2.8

Draft Treasury Management Strategy Statement 2021/22

1. Introduction

- 1.1. Treasury management is the management of the Police and Crime Commissioner's cash flows, borrowing and investments, and the associated risks. The Police and Crime Commissioner has borrowed and 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 financial risk are therefore central to the Police and Crime Commissioner's prudent financial management.
- 1.2. 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. In addition, the Welsh Government (WG) issued revised Guidance on Local Police and Crime Commissioner Investments in November 2019 that requires the Police and Crime Commissioner to approve an investment strategy before the start of each financial year. This report fulfils the Police and Crime Commissioner's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.
- 1.3. **Revised strategy:** In accordance with the WG Guidance, the Police and Crime Commissioner will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Police and Crime Commissioner's capital programme or in the level of its investment balance.

2. External Context

- 2.1. **Economic background:** The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Police and Crime Commissioner's treasury management strategy for 2021/22.
- 2.2. The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.
- 2.3. UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the

jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

- 2.4. GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.
- 2.5. GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.
- 2.6. The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.
- 2.7. Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.
- 2.8. **Credit outlook:** After spiking in late March as coronavirus became a global pandemic and then rising again in October/November, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 2.9. Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.
- 2.10. **Interest rate forecast:** The Police and Crime Commissioner's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further

interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

2.11. Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

2.12. A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix C.1**.

3. **Local Context**

3.1. On 31st March 2021, the Police and Crime Commissioner is expected to hold £9.4m of borrowing and £20.6m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
General Fund CFR	30.4	30.5	35.1	45.4	43.5	41.9	40.5
Less: Other debt liabilities *	-9.9	-9.1	-8.2	-7.3	-6.2	-5.1	-3.9
Loans CFR	20.5	21.4	26.9	38.1	37.3	36.8	36.6
Less: External borrowing (long term)**	-9.9	-9.4	-8.9	-8.4	-7.9	-7.4	-6.9
Less: External borrowing (short term)**	-5.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal borrowing	5.6	12.1	18.0	29.7	29.4	29.4	29.7
Less: Usable reserves	-25.2	-28.7	-25.2	-21.8	-18.9	-18.0	-17.3
Plus: Working capital	4.1	-4.0	0.2	0.2	0.2	0.2	0.2
New borrowing / (Investments)	-15.5	-20.6	-7.0	8.1	10.7	11.6	12.6

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

** shows only loans to which the Police and Crime Commissioner is committed and excludes optional refinancing

3.2. 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. The Police and Crime Commissioner's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3. The Police and Crime Commissioner has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £22m over the forecast period in order to maintain a positive level of liquidity (see also 3.5 below).

- 3.4. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Police and Crime Commissioner's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Police and Crime Commissioner expects to comply with this recommendation during 2021/22.
- 3.5. **Liability benchmark:** To compare the Police and Crime Commissioner's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of **£10m** at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	20.5	21.4	26.9	38.1	37.3	36.8	36.6
Less: Usable reserves	-25.2	-28.7	-25.2	-21.8	-18.9	-18.0	-17.3
Plus: Working capital	4.1	-4.0	0.2	0.2	0.2	0.2	0.2
Net Borrowing Requirement / (Investments)	-0.6	-11.3	1.9	16.5	18.6	19.0	19.5
Minimum investments	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Liability Benchmark	9.4	-1.3	11.9	26.5	28.6	29.0	29.5

- 3.6. Following on from the medium-term forecasts in table 2 above, the Police and Crime Commissioner plans to remain borrowed in line with its liability benchmark and cash-flow forecast in order to minimise risk. The cash-flow forecast reflects the peaks and troughs over the financial year whereas the liability benchmark reflects a specific point in time.

4. **Borrowing Strategy**

- 4.1. The Police and Crime Commissioner currently holds £9.4 million of loans, a decrease of £5.5 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Police and Crime Commissioner does not expect to need to borrow in 2021/22. The Police and Crime Commissioner may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £27.9 million.
- 4.2. **Objectives:** The Police and Crime Commissioner's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Police and Crime Commissioner's long-term plans change is a secondary objective.
- 4.3. **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Police and Crime Commissioner's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans

instead.

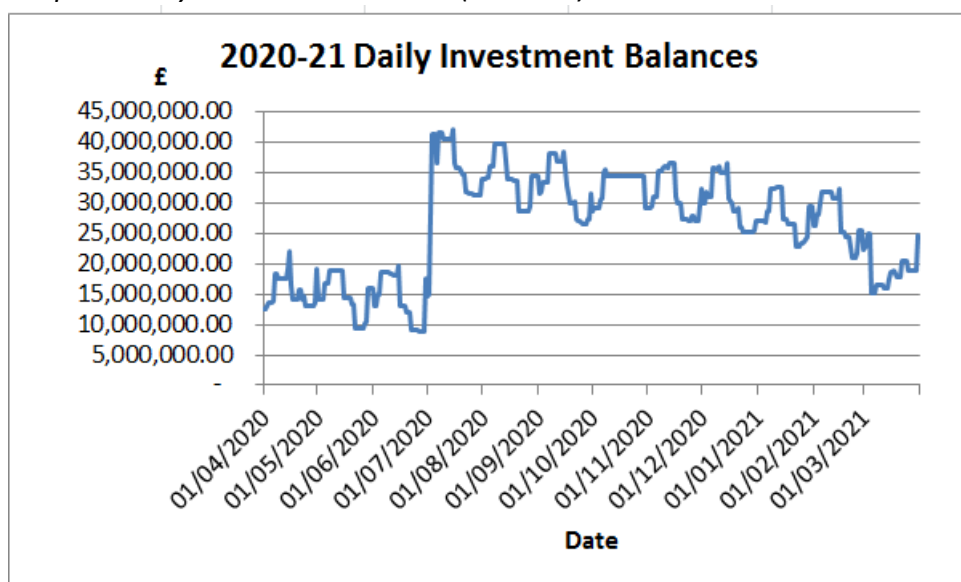
- 4.4. By doing so, the Police and Crime Commissioner is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Police and Crime Commissioner with this 'cost of carry' and breakeven analysis. Its output may determine whether the Police and Crime Commissioner borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.5. The Police and Crime Commissioner has previously raised all of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. A HM Treasury consultation on lowering PWLB rates concluded in July 2020 but the government has yet to publish its response. In the meantime, the Police and Crime Commissioner will consider long-term loans from other sources including banks, pensions and local authorities, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
- 4.6. Alternatively, the Police and Crime Commissioner may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.7. In addition, the Police and Crime Commissioner may borrow short-term loans to cover unplanned cash flow shortages.
- 4.8. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
 - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Gwynedd Pension Fund)
 - capital market bond investors
- 4.9. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
 - leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback

4.10. **Short-term and variable rate loans:** These loans leave the Police and Crime Commissioner exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Police and Crime Commissioner may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5. **Treasury Investment Strategy**

5.1. The Police and Crime Commissioner holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Police and Crime Commissioner’s treasury investment balance has ranged between £8.8 million (on the 29th of June 2020) and £42.2 million (on the 15th July 2020), and similar patterns are expected to be maintained in the forthcoming year.

Graph 1: Daily investment balance (2020-21)



5.2. **Objectives:** Both the CIPFA Code and the WG Guidance require the Police and Crime Commissioner to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest 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. Where balances are expected to be invested for more than one year, the Police and Crime Commissioner will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3. **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4. **Strategy:** Although there is increasing risk and very low returns from short-term unsecured bank investments, the Police and Crime Commissioner aims to continue to invest in short term

bank investments during 2021/22. This is in concurrence with the internal borrowing strategy, minimising the amounts invested (and associated risk) and maximising yield (by reducing interest payments).

- 5.5. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Police and Crime Commissioner’s “business model” for managing them. The Police and Crime Commissioner aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 5.6. **Approved counterparties:** The Police and Crime Commissioner may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Counterparty limit	Sector limit
The UK Government	Unlimited	n/a
Local authorities & other government entities	£7m	Unlimited
HSBC ^{1*}	£10m	n/a
Secured investments *	£7m	Unlimited
Banks (unsecured) *	£4m	Unlimited
Building societies (unsecured) *	£4m	Unlimited
Registered providers (unsecured) *	£4m	£4m
Money market funds *	£4m	Unlimited
Strategic pooled funds*	£4m	£4m

¹ These are the Commissioner’s bankers and are currently rated AA- by Fitch credit rating agency. This table must be read in conjunction with the notes below

- 5.7. **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 5.8. **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency.
- 5.9. **Secured investments:** Investments secured on the borrower’s assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured

and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

- 5.10. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 5.11. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 5.12. **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Police and Crime Commissioner will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.13. **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Police and Crime Commissioner to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Police and Crime Commissioner's investment objectives will be monitored regularly.
- 5.14. **Operational bank accounts:** The Police and Crime Commissioner may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Police and Crime Commissioner maintaining operational continuity.
- 5.15. **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Police and Crime Commissioner's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.16. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made

with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.17. **Other information on the security of investments:** The Police and Crime Commissioner understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Police and Crime Commissioner’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.18. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Police and Crime Commissioner will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Police and Crime Commissioner’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.19. **Investment limits:** The Police and Crime Commissioner’s revenue reserves available to cover investment losses are forecast to be £28.7 million on 31st March 2021. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £10,000 in operational bank accounts count against the relevant investment limits.

5.20. **Liquidity management:** The Police and Crime Commissioner uses purpose-built cash flow forecasting methods to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Police and Crime Commissioner being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Police and Crime Commissioner’s medium-term financial plan and cash flow forecast. The Police and Crime Commissioner will spread its liquid cash over approved providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6. Treasury Management Indicators

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

6.2. **Security:** The Police and Crime Commissioner has set a minimum credit rating of A- for investments

Credit risk indicator	Target
Minimum credit rating for investments	A-

- 6.3. **Liquidity:** The Police and Crime Commissioner has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling twelve month period. For practical purposes a lower operational limit of £7.5 million for a maximum of 14 days will be set to avoid unnecessary short term borrowing.

Liquidity risk indicator	Limit
Minimum cash available within 12 months	£10m
Lower limit for a maximum of 14 days	£7.5m

- 6.4. **Interest rate exposures:** This indicator is set to control the Police and Crime Commissioner's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£50,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£50,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

- 6.5. **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 borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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.

- 6.6. **Principal sums invested for periods longer than a year:** 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 will be:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£5m	£3m	£1m

7. Related Matters

- 7.1. The CIPFA Code requires the Police and Crime Commissioner to include the following in its treasury management strategy.
- 7.2. **Financial derivatives:** In the absence of any explicit legal power to do so, the Police and Crime Commissioner will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and

forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

7.3. **Markets in Financial Instruments Directive:** The Police and Crime Commissioner has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Police and Crime Commissioner’s treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

7.4. **Government Guidance:** Further matters required by the WG Guidance are included in **Appendix C.2.**

8. Financial Implications

8.1. The budget for investment income in 2021/22 is £0.1 million, based on an average investment portfolio of £10 million at an interest rate of 0.01%. The budget for debt interest paid in 2021/22 is £0.166 million, based on committed fixed rate long term loans and an estimate to cover potential short term borrowing. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

9. Other Options Considered

9.1. The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Joint Audit Committee, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but

		long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Arlingclose Economic & Interest Rate Forecast – December 2020**Underlying assumptions:**

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Artingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r.													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Artingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Artingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Additional requirements of Welsh Government Investment Guidance

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Police and Crime Commissioner's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

Contribution: The Police and Crime Commissioner's investments contribute to its service delivery objectives and supports effective treasury management activities.

Climate change: The Police and Crime Commissioner's investment decisions consider long-term climate risks to support a low carbon economy.

Specified investments: The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local Authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local Authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

The Police and Crime Commissioner defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Loans: The WG Guidance defines a loan as a written or oral agreement where the Police and Crime Commissioner temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local Police and Crime Commissioner. The Police and Crime Commissioner does not provide loans of this nature.

The Police and Crime Commissioner uses an allowed 'expected credit loss' model for loans and receivables as set out in *International Financial Reporting Standard 9 Financial Instruments* as adopted by proper practices to measure the credit risk of its loan portfolio. Appropriate consideration is given to state aid rules and competition law. The Police and Crime Commissioner has appropriate credit control arrangements to recover overdue repayments in place.

Non-specified investments: Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. The Police and Crime Commissioner confirms that it currently doesn't have any non-specified investments.

Non-financial investments: This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. The Police and Crime Commissioner confirms that it currently doesn't hold any non-financial investments.

Investment advisers: The Police and Crime Commissioner has appointed Arlingclose Limited as treasury management advisers. The quality of this service is controlled by regular strategy meetings, review of data provided and professional judgement.

Investment of money borrowed in advance of need: The Police and Crime Commissioner may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Police and Crime Commissioner is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Police and Crime Commissioner's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £36.1 million. The maximum period between borrowing and expenditure is expected to be two years, although the Police and Crime Commissioner is not required to link particular loans with particular items of expenditure.

Capacity and skills: The Police and Crime Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Training is provided to all staff involved in making capital expenditure, borrowing and investment decisions.

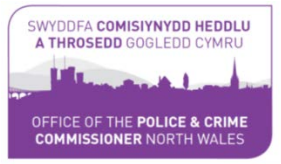
Corporate governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and staff, who must act in line with the treasury management strategy approved by the Police and Crime Commissioner and Joint Audit Committee (JAC). End of year and half year reports on treasury management activity are presented to SEB and JAC. The JAC is responsible for scrutinising treasury management decisions.



Joint Audit Committee

Meeting Date: 30 March 2021

Title:	Compliance with Financial Management Code
Author:	Head of Finance
Purpose of the report:	To provide background of the Financial Management Code and the work carried out to assess compliance.
The report is provided to JAC for: (tick one)	<p>Decision</p> <p>Discussion</p> <p>X Assurance</p> <p>X Information</p>
Summary / Key Points:	<ul style="list-style-type: none"> • Note background and CIPFA requirement to be compliant in 2021-22 <ul style="list-style-type: none"> • Note process followed for self-assessment • Note that assessed as compliant with code <ul style="list-style-type: none"> • Areas in development highlighted • Report discussed at Joint Governance Board
Recommendations:	Note that a self-assessment has concluded that North Wales Police is compliant with the FM Code
Risk register impact:	None
Assurance implications:	Assurance against the standards set in the FM Code which sets out principles and standards to assess good financial management.
Equality Impact:	None
Information exempt from disclosure:	No



JOINT AUDIT COMMITTEE

30 MARCH 2021

Compliance with the CIPFA Financial Management Code

Report by the Head of Finance

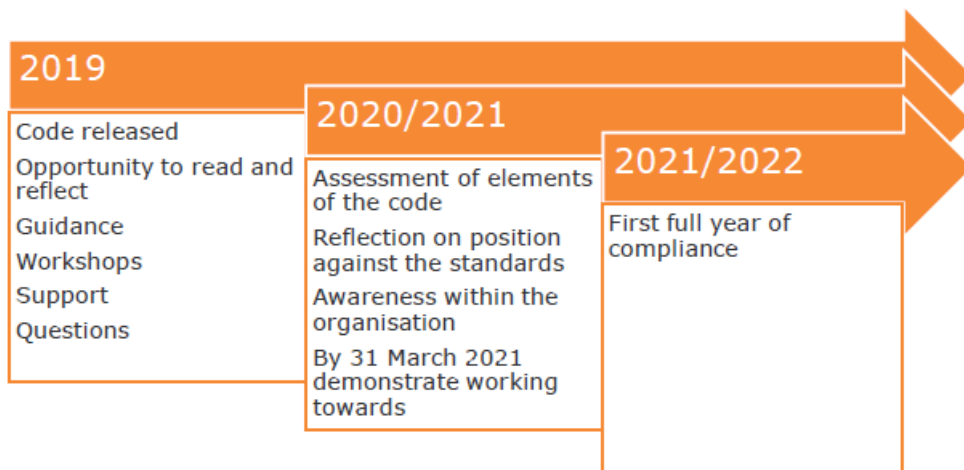


1. Introduction

- 1.1 CIPFA's Financial Management Code (FM Code) was published in October 2019. The intention is that the FM Code will have the same scope as the *Prudential Code for Capital Finance in Local Authorities* (CIPFA, 2017), which promotes the financial sustainability of local authority capital expenditure and associated borrowing.
- 1.2 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities. Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code. The FM Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. So, although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities and sets principles and standards that are required for good financial management.
- 1.3 The underlying principles that inform the FM Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable. The principles set out are:
- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 - Adherence to professional **standards** is promoted by the leadership team and is evidenced.
 - Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
 - The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 1.4 These principles are assessed against 17 standards, with each standard having a set of key questions (Appendix A, 68 in total). The chart below sets out how the standards are linked to the principles.



1.5 CIPFA’S intention for implementation is set out below with 2021-22 expected to be the first full year of compliance. North Wales Police have self-assessed against the standards and compliance is already in place prior to 2021-22. Some areas for development have been highlighted. Each standard was assessed by the Head of Finance, Financial Accountant and Finance and Resources Business Manager and reviewed by the Director of Finance and Resources and the PCC’s Chief Finance Officer. Initially it was expected that compliance would be externally scrutinised, this is not currently the case, but the review was conducted on this basis with conclusions on standards being backed by documented evidence (collated or sign posted).



1.6 A detailed spreadsheet matrix summarising answers against questions has been produced. The following sections will summarise the conclusions for each standard.

2. Summary of compliance with standards

2.1 A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.

Value for Money (VFM) flows through all of NWP's activities. This is one standard that Audit Wales specifically comment on annually and have confirmed that they are satisfied that appropriate arrangements are in place to secure VFM. A detailed presentation was made to JAC on all aspects of VFM.

Main Evidence:

Police and Crime Plan and Delivery Plan
 Annual Planning Cycle/Budget setting documentation
 Annual Audit Letter
 VFM Frame work
 JAC presentation with further details

2.2 B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable.

Both CFO's comply with the requirement of the CIPFA Statement in terms of qualification and experience. Compliance is reflected in the Role Profiles. The requirement to have suitably qualified Finance Staff as a resource is also met.

Main Evidence:

Confirmations of qualification at appointment
 Role Profiles
 Confirmation that both are part of the CC and PCC's senior teams
 Finance staffing levels and qualifications

2.3 C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

Sound governance and internal controls are in place, are regularly reviewed and are set out in the Manual of Governance. The Force's governance procedures were reviewed in 2019 and the recommendations are now being implemented. The Joint Governance Board is in place to assure proper governance within the organisation and the Annual Governance Statement (AGS) documents the Governance that has been in place for each

financial year. Internal Controls are reviewed by Internal and External Audit. The leadership team are fully involved in all these activities.

Main Evidence:

Manual of Governance
Joint Governance Board Agendas
Annual Governance Statement
2019 Governance Review and follow up Reports

2.4 D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).

The Governance review was based on this Framework, and the AGS is structured according to the Framework.

Main Evidence:

Joint Governance Board Agendas
Annual Governance Statement
2019 Governance Review and follow up Reports

2.5 E. The financial management style of the authority supports financial sustainability.

This standard is based around delivering accountability, supporting performance and enabling transformation, which in turn leads to supporting financial sustainability. These are covered within the Financial Strategy Objectives. The Manual of Governance and related documents set out the regulations to be followed to ensure accountability. Performance is regularly reported at all levels including executive level and is recorded in the Force Balanced Score card. The annual planning cycle and relevant outputs support transformation; major projects are supported by the Project Management Office and specific Governance Boards.

Main Evidence:

Financial Regulations and Procurement Policy within the Manual of Governance
Performance Reports to the Strategic Executive Board (SEB) and Strategic Management Board (SMB)/ Balance Score Card
Business Plans and Business Cases
Project Governance Boards' agendas

2.6 F. The authority has carried out a credible and transparent financial resilience assessment.

The Medium Term Financial Plan (MTFP) is reviewed annually and spans 5 years. It includes sections on sensitivity analysis, risk assessment and adequacy of reserves. Specific reserves are earmarked for financial resilience (including, for example, Major Incidents Reserve, Ill Health Reserve and Insurance Reserve). Risks are identified and included on the Risk Register, e.g Command and Control upgrade, COVID.

Main Evidence:

MTFP and supporting Planning Cycle documents
Risk Register

2.7 G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

The Risk Register includes a general risk that there will be 'Inadequate financial resources to deliver service plans', as well as relevant specific risks. There is, and has been, a great deal of uncertainty over future funding. The sensitivity around this was discussed at length during the planning cycle, and consequently three savings

levels were set as targets for service and Functional Business Plans. The final budget proposal took into account the potential £1.8m additional annual cost of the national Emergency Service Network in 2023-24 and took steps to reduce this gap. Chief Officers are fully involved in these discussions and sustainability and sensitivity are covered within the MTFP.

Main Evidence:

Corporate Risk Register
MTFP and supporting Planning Cycle documents
Annual Police and Crime Panel Reports

2.8 H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.

The PCC complies with the CIPFA Prudential Code for Capital Finance as set out in the annual Capital Strategy document, which is scrutinised by the Joint Audit Committee (JAC) and subsequently agreed by the PCC. The Prudential Indicators are set as part of this document in the Treasury Management Strategy. Mid-year and end of year reports on performance against the Prudential Indicators are taken to the JAC, and by exception reported to SMB and SEB. Regular meetings are held with Treasury Management advisors to aid compliance with the code. An annual Treasury Management audit is conducted by TIAA (Internal Audit).

Main Evidence:

Annual Capital Strategy
Mid-year and EOY reports
Minutes of TM meetings with advisors
TM Audit Report

2.9 I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

The MTFP is a five year rolling plan with a 10 year reserve projection. The MTFP is based on the Service area plans agreed in the planning cycle. The functional plans are supported by the Digital Transformation Strategy, Estates Strategy, Fleet Strategy and the Capital Strategy.

Main Evidence:

MTFP
Service Level Plans
Business Plans
Functional strategies

Area for development:

Review 2020-21 planning cycle and agree process for 2021-22

2.10 J. The authority complies with its statutory obligations in respect of the budget setting process.

The PCC complies with statutory obligations and time lines in the budget process. The PCC's CFO sits on budget setting meetings in an observing/advisory capacity. The MTFP confirms a balanced budget and the CFO formally confirms compliance as part of the Police and Crime Panel report.

Main Evidence:

MTFP
Police and Crime Panel Precept setting report

2.11 **K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.**

There is a specific section within the Police and Crime Panel budget and precept setting report confirming the adequacy of reserves and the robustness of the estimates. Budget setting and other reports are provided annually to internal and external auditors as part of various reviews.

Main Evidence:

Police and Crime Panel precept setting report

2.12 **L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.**

External stakeholders - the PCC has engagement with key stakeholders through an annual budget survey, and with Local Authorities via the Police and Crime Panel at the quarterly meetings. Representations are made at Community Councils and other local meetings by NWP officers. Social engagement is regularly conducted. Satisfaction surveys are independently undertaken and reported to the executive Boards.

Issues have arisen with increased and new additional costs of national and regional collaboration and projects.

Internal stakeholders - Service Leads and Function Leads are fully involved in the annual Organisational Planning process (contributing towards all growth and savings plans). This process is led by Corporate Services and supported by Finance, which ensures that it is both operationally and demand led. Senior Leaders are fully engaged in Regional and National policing and other groups.

Main Evidence:

Survey Report

Panel meeting agendas and minutes

SEB and SMB agendas

Web sites and other social media sites

Public Confidence and Satisfaction survey reports

Area for development:

Understanding and challenging the costs of Regional and National collaborations and contributions which have increased in recent years.

2.13 **M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.**

The Business Case template is based on the Five Case Model as set out in the HM Treasury's Guide to Developing the Project Business Case. The template also includes a risk section and a procurement check list. A Digital Workplace and Change Board (which is a sub-group of the Strategic Change and Collaboration Board) has been set-up to assess 'Expressions of Interest' and to advise on developing full business cases where approved.

Main Evidence:

Business Case template

Business Cases – Operational Improvement Plan (OIP) highlighted as good practice in 2019-20 Annual Audit letter

Area for development:

Continue to promote and support the development of Business Cases

2.14 N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

Quarterly Finance reports are presented to SEB and SMB highlighting any emerging risks (for example the cost and funding of COVID has been highlighted in all reports during 2020-21). Service and Functional areas monitor on a monthly basis and report through their Business Managers and Support Accountants. The CFO, DFR and Head of Finance meet monthly to discuss emerging issues. All areas of expenditure and income are projected monthly by Finance, including detailed payroll projections. Operational Performance Reports are prepared by the Management Information and Business Intelligence Team, and reported to SMB and SEB quarterly. Benchmarking data is referenced where available.

Main Evidence:

SEB and SMB Finance and Performance Reports
Service Area Budget reports

Area for development:

Engage with HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services), CIPFA and NPCC (National Police Chiefs Council) to develop meaningful benchmarking data.

2.15 O The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

Earmarked and General Reserves are reviewed as part of the Planning Cycle, with the resulting plan set out in the MTFP, which then determines the detailed reserve strategy. The use of reserves is reported in quarterly Finance reports and are also reviewed and allocated as part of the final outturn report. Pensions, Provisions and Contingent Liabilities are reported separately within the Statement of Accounts.

Main Evidence:

MTFP
Statement of Accounts and outturn reports
Capital Strategy
Pension Fund reports
Quarterly Finance reports

2.16 P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

Both the PCC's CFO and DFR are actively involved in the preparation of the Statement of Accounts, and prepare individual Introductions to the Accounts, as well as signing off the final documents. This responsibility is set out in their post profiles. The accounts have always received an unqualified opinion from the external auditors.

Main Evidence:

Statement of Accounts
Annual Audit opinion and annual letter
Post profiles

2.17 Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Final outturn figures are produced annually before the end of May following the relevant financial year. They include explanations of variances and proposed movement in reserves at the end of the year. Over a number of years the final outturn figures reported at the end of May have not been changed following audit. Decisions are made and documented as part of the outturn report which is presented to SEB and SMB, or if there are no meetings in May they are presented to the Management Boards.

Main Evidence:

SEB and SMB Outturn Reports

Statement of Accounts

3. Summary and conclusion

3.1 The review demonstrates that the North Wales Police and Crime Commissioner and Chief Constable are fully compliant with the Financial Management Code. This would be expected for a mature organisation with the areas being covered by the review having been audited and inspected by Wales Audit, Internal Audit and HMICFRS over a number of years. However, there is always room for development, and certain areas have been highlighted.

3.2 The minimum requirement for the review is to show that the long term sustainability of the organisation is at the heart of the financial management process. This has especially been the case over the last 10 years, where savings of over £35m have been implemented, whilst maintaining a sustainable and stable budget that supports service delivery. This has resulted in a healthy balance sheet which is used to support developments and manage risk. Planning, monitoring and managing processes have been developed involving leaders throughout the organisation, supported by professional standards and reliable and meaningful information. All these principles will need to be maintained and developed to meet the challenges in what is an uncertain future in terms of funding and service delivery.

4 IMPLICATIONS

Diversity	No separate diversity implications
Financial	The report sets out how the PCC and CC comply with Financial Management Code
Legal	There is no specific legislative requirement to comply with the code, but the Code sets out the expected standards for Financial Management.
Risk	Management of Financial risk is considered as part of the report.
Police and Crime Plan	How the Police and Crime Plan is funded is central to the Financial Management Code.

Section 1 The Responsibilities of the Chief Finance Officer and Leadership Team

A The leadership team is able to demonstrate that the services provided by the authority provide value for money

Key Questions

- ✓ Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?
- ✓ Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?
- ✓ Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?

B The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government

Key Questions

- ✓ Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions?
- ✓ Does the CFO lead and champion the promotion and delivery of good financial management across the authority?
- ✓ Is the CFO suitably qualified and experienced?
- ✓ Is the finance team suitably resourced and fit for purpose?

Section 2 Governance and Financial Management Style

C The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control

Key Questions

- ✓ Does the leadership team espouse the Nolan principles?
- ✓ Does the authority have in place a clear framework for governance and internal control?]
- ✓ Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability?
- ✓ Does the leadership team espouse high standards of governance and internal control?
- ✓ Does the leadership team nurture a culture of effective governance and robust internal control across the authority?

D The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)

Key Questions

- ✓ Has the authority sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements?
- ✓ Does the authority have in place a suitable local code of governance?
- ✓ Does the authority have a robust assurance process to support its AGS ?

E The Financial Management Style of the authority supports financial sustainability

Key Questions

- ✓ Does the authority have in place an effective framework of financial accountability?
- ✓ Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services?
- ✓ Does the authority's finance team have appropriate input into the development of strategic and operational plans?
- ✓ Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively and to be held accountable for doing so?
- ✓ Has the authority sought an external view on its financial style, for example through a process of peer review?
- ✓ Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?

Section 3 Long to Medium Term Financial Management

F The authority has carried out a credible and transparent Financial Resilience Assessment

Key Questions

- ✓ Has the authority undertaken a Financial Resilience Assessment?
- ✓ Has the Assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?
- ✓ Has the authority taken appropriate action to address any risks identified as part of the Assessment?

G The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members

Key Questions

- ✓ Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?
- ✓ Does the authority have a strategic plan and long-term financial strategy that address adequately these risks?
- ✓ Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)?
- ✓ Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making?

H The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities

Key Questions

- ✓ Has the authority prepared a suitable capital strategy?
- ✓ Has the authority set prudential indicators in line with the Prudential Code?
- ✓ Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?

I The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans

Key Questions

- ✓ Does the authority have in place an agreed medium-term financial plan?
- ✓ Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?
- ✓ Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?
- ✓ Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?
- ✓ Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?

Section 4 The Annual Budget

J The authority complies with its statutory obligations in respect of the budget setting process

Key Questions

- ✓ Is the authority aware of its statutory obligations in respect of the budget-setting process?
- ✓ Has the authority set a balanced budget for the current year?
- ✓ Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?

K The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves

Key Questions

- ✓ Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?
- ✓ Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case?
- ✓ Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?
- ✓ Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?

Section 5 Stakeholder Engagement and Business Plans

L The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget

Key Questions

- ✓ How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget?
- ✓ How effective has this engagement been?
- ✓ What action does the authority plan to take to improve its engagement with key stakeholders?

M The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions

Key Questions

- ✓ Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'?
- ✓ Does the authority offer guidance to officers as to when an option appraisal should be undertaken?
- ✓ Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?
- ✓ Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty?
- ✓ Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?

Section 6 Monitoring Financial Performance

N The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability

Key Questions

- ✓ Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability?
- ✓ Do the reports cover both forward- and backward-looking information in respect of financial and operational performance?
- ✓ Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?
- ✓ Are the reports provided to the leadership team in a timely manner and in a suitable format?
- ✓ Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?

O The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability

Key Questions

- ✓ Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?
- ✓ Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?
- ✓ Is the authority taking action to mitigate any risks identified?
- ✓ Does the authority report unplanned use of its reserves to the leadership team in a timely manner?
- ✓ Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?

Section 7 External Financial Reporting

P The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom

Key Questions

- ✓ Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements?
- ✓ Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms?
- ✓ Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?

Q The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions

Key Questions

- ✓ Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget?
 - ✓ Is the information in these reports presented effectively?
 - ✓ Are these reports focused on information that is of interest and relevance to the leadership team?
 - ✓ Does the leadership team feel that the reports support it in making strategic financial decisions?
-



Joint Audit Committee

Meeting Date: 30/03/2021

Title:	Joint Governance Board
Author:	Kate Jackson, Chief Finance Officer
Purpose of the report:	Update
The report is provided to JAC for: (tick one)	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> X Information
Summary / Key Points:	<ul style="list-style-type: none"> • Instigation of a review of the Manual of Governance, with an aim to complete the work by July 2021 • The Head of MI to prepare a review of the implementation of the new governance structure in July 2021 • Discussion of the first draft of the Annual Governance Statement • Joint Audit Committee terms of reference to be approved by the PCC and Chief Constable, with an aim to complete the work by July 2021.
Recommendations:	<ul style="list-style-type: none"> • For members of the Joint Audit Committee to note the work of the Joint Governance Board. • 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.
Risk register impact:	The way risk is managed is integral to good governance and is considered within the Governance Framework
Assurance implications:	<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>
Equality Impact:	None
Information exempt from disclosure:	None



JOINT AUDIT COMMITTEE

30 March 2021

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 meets four times each year, and a work programme has been prepared.
- 1.3. Members of the Joint Audit Committee have a standing invitation to attend the meeting; the Chair of the Committee attended on 17 February 2021 and comments were provided from a member of JAC.

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. Future meeting dates are:
 - 17 June 2021 at 2pm
 - 26 August 2021 at 2pm
 - 28 October 2021 at 2pm

3. Work of the Joint Governance Board

- 3.1. At the meeting held on 17 February 2021, the following were discussed:

3.1.1. Instigate a review of the Manual of Governance

- The Code of Corporate Governance was recently added to the Manual of Governance. Nevertheless, it will be reviewed in line with the general review of the entire manual.
- The Financial Regulations need to be reviewed to ensure compliance with the new FM Code.
- The Scheme of Consent and the Standing Orders need to be reviewed to ensure they remain fit for purpose.

- It is intended to present the updated Manual of Governance to Joint Audit Committee in July 2021, for assurance purposes.

3.2.2 Instigate review of Governance Structure

The new Governance Structure was introduced during 2020/21. The Head of MI advised that due to this being very recent, he would review the Governance Structure in July 2021 as a “look back” at the process, and to ensure that the structure remains fit for purpose.

3.2.3 Draft Annual Governance Statement

Information within the Annual Governance Statement had been updated by the Director of Finance and Resources and the Chief Finance Officer; however, it was noted that further updates would be required before a draft could be presented to Joint Audit Committee in March 2021.

The Chair of the Joint Audit Committee observed that the Annual Governance Statement, while containing all required information, is repetitive, and does not reflect the good work that happens within the OPCC and force; she recommended that the format be changed so that the document can be presented better while retaining all important information.

3.2.4 Joint Audit Committee Terms of Reference

The Chief Finance Officer presented a paper to the meeting, comprising:

- North Wales Joint Audit Committee terms of reference, updated to incorporate recommendations arising from JAC meetings and elsewhere;
- A comparison of Terms of Reference of other similar organisations’ Joint Audit Committees (or equivalent).

This document has been shared with Joint Audit Committee members.

There was a discussion about whether the Terms of Reference should be widened beyond the somewhat traditional scope currently included, and who should decide this. It was recommended that the Terms of Reference be approved jointly by the Police and Crime Commissioner and Chief Constable (perhaps at Strategic Executive Board).

It is intended to present the updated Terms of Reference to Joint Audit Committee in July 2021.

3.2.5 CIPFA FM Code

The Head of Finance presented an update to Joint Governance Board, which is included in the Joint Audit Committee agenda for 30 March 2021.

3.2.6 North Wales Police Terms of Reference

As part of the Governance Review, the terms of reference for all internal meetings are being reviewed. This is now complete for all strategic level boards, with the exception of Joint Audit Committee.

In future, when Terms of Reference are reviewed, this will take place in a co-ordinated manner, to ensure that overlaps and gaps in governance are avoided.

3.2.7 Audit Update

The Finance and Budget Officer provided an update of internal and external audit recommendations, and client briefing notes.

3.2.8 Assurance Update

The Head of MI provided a progress update. The Chief Finance Officer noted that when the governance review recommendations are implemented, this should be incorporated into the Annual Governance Statement.

3.3 The next meeting will take place on 17 June 2021.

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.
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	Environmental policies, outcomes and engagement (and the

	and Social Value	monitoring of these) are considered within the Governance 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

JOINT AUDIT COMMITTEE

Title:	Risk Appetite Review Update
Author:	James Sutton, Head of Business Intelligence/Strategic Planning/Assurance
Purpose of the report:	To provide the Joint Audit Committee with an update on the annual review of the Force Risk Appetite.
The report is provided to JAC for: (tick one)	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
Summary / Key Points:	<p><u>Approach</u></p> <p>The risk appetite was created and consulted on a year ago, and was a new governance document for the Force. It forms part of the Risk and Assurance Mapping Framework. This is the first time it has been reviewed, and the following approach was taken:</p> <ol style="list-style-type: none"> 1. Establish a referenceable source for risk terminology <p><u>Risk areas</u></p> <p>The risk areas last year were created from common risk areas used across other Forces with additional risk areas added during the consultation process. This year a referenceable source for an overarching set of risk categories has been sourced from the Treasury Orange Book.</p> <p>The benefits of using the Orange Book Risk Categories are:</p> <ul style="list-style-type: none"> • it is comprehensive and provides a wide enough scope to include any risk area the Force would need • It is independently sourced • It is explainable and repeatable for any future review • It allows any gaps in risk area to be identified as part of the review process • It can be reused for categorising risks on the corporate risk register, giving a common terminology <ol style="list-style-type: none"> 2. Map the current risk appetite areas against the Orange Book Risk Categories <ul style="list-style-type: none"> • All risk appetite areas have been successfully mapped against a single risk category • There are some risk categories that have no risk area mapped against them indicating some potential gaps in the risk appetite which have been considered.

	<p>3. Review the mapped risk areas and risk levels</p> <ul style="list-style-type: none"> • Review undertaken by Director of Finance, Head of Corporate Services, Risk and Business Continuity Lead and Assurance Lead. • Consultation with Joint Audit Committee Risk Lead • Consultation with SLT and for final agreement • Submit to Joint Audit Committee for information • Update Risk and Assurance Mapping Framework with the revised risk appetite <p><u>Changes</u></p> <p>The following changes have been made:</p> <ul style="list-style-type: none"> • Addition of 'Hungry' to the risk levels • Change Finance to Financial Management • Change IT Security to IT and Cyber Security • Change GDPR compliance to Data Protection/GDPR compliance • Change of Risk level for IT and Cyber Security from Minimalist to Averse • Addition of Risk Areas for: <ul style="list-style-type: none"> - Strategic Planning Alignment - Internal Governance - Treasury Management - Ethical Supply chain - Supply Chain reliability - Contract Management - Resource Levels and Management - ICT Continuity of service - Internal information sharing - Partnership info sharing - AI Ethics - Site Security <p>The wording of the added Risk Areas is subject to further review.</p>
Recommendations:	None
Risk Register Impact:	None
Assurance Implications:	The risk appetite provides assurance that the Force can consistently use risk as part of its key decision making processes.
Equality Impact:	None
Information Exempt from Disclosure:	No

Risk Appetite 2021

Risk Levels

NWP's current risk appetite is stated as 'OPEN'; the Chief Constable is willing to consider all options and choose the one that is most likely to result in successful delivery, minimising residual risk as far as possible, while also providing an acceptable level of business benefit. This position falls satisfactorily within the overarching vision of Making North Wales the Safest Place in the UK.

Risk Level	Description
Averse	Avoidance of risk and uncertainty is a key organisational objective.
Minimalist	Preference for ultra - safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.
Cautious	Preference to a safe delivery options that have a low degree of residual risk and may only have limited potential for reward.
Open	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.)
Hungry	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

Risk Appetite

Risk Category	Risk Area	Risk Level
Strategy	Strategic planning alignment We will have a planning process that ensures resources and investments are strategically aligned, with rigorous governance and a full evidence base to support decisions.	Cautious
Governance	Partnerships / Collaborations We are willing to take risks in pursuit of partnership/collaboration developments that have the potential to deliver higher benefits.	Open
	Internal governance We will ensure that decision making is done in a structured and evidenced manner that all understand and participate in.	Cautious
Operations	Public Safety We will take action to avoid or mitigate risks that impact on public safety.	Averse
	Staff/Officers – Fraud and Corruption We have no appetite for any fraud or corruption perpetrated by our officers or staff.	Averse
	Public Experience / Satisfaction Public experience/satisfaction is very important to us; in a changing environment we are prepared to be innovative and forward-thinking. We are prepared to take some risks providing there is an operational/financial benefit.	Cautious

Risk Category	Risk Area	Risk Level
Legal	Compliance (Legal / HO / IOPCC / HMIC) We will give due consideration to guidance, recommendations and non-statutory regulations taking into account local circumstances and the needs of the public of North Wales when making our decisions.	Cautious
	Data protection/GDPR compliance We will ensure the Force meets all requirements of the data protection act whilst acknowledging that policing business still needs to be undertaken efficiently.	Cautious
Financial	Financial management We need to ensure that resources are aligned to strategic objectives, that we have a balanced and sustainable budget and provide VFM in delivering services.	Cautious
	Treasury Management – The need to plan, organise and control funds and working capital in order to make best possible use of the funds, maintain liquidity in a secure way.	Averse
Commercial	Ethical and reliable supply chain We will ensure through rigorous procurement processes that ethical and reliability considerations are fully explored for all supply chains.	Cautious
	Contract management We will regularly review the most valuable/critical contracts to ensure they are providing value for money and remain fit for purpose.	Cautious
People	Staff and Officer Wellbeing The health and safety of our staff is important to the delivery of effective and efficient policing in North Wales. We will provide the tools (risk assessments; dynamic risk assessment; training; and equipment) for staff to take managed and acceptable risks.	Cautious
	Resource levels and management We will actively monitor and manage resource levels in front line roles to ensure desirable staffing levels are maintained for the safety of the public and staff.	Cautious
Technology	ICT Continuity of service for Force Critical Functions Where ICT supports Force Critical Functions we will ensure measures are in place to ensure continuity of service in the event of disruption.	Averse: CAD/Life X Minimalist: RMS
Information	Internal information sharing We will ensure that guidance is provided for staff to ensure that information is shared in a manner such that restricted information is not shared whilst ensuring police business can be undertaken effectively and efficiently.	Cautious

Risk Category	Risk Area	Risk Level
	<p>Partnership info sharing We will put in place information sharing agreements with Partners to ensure information is shared in a secure manner.</p>	Minimalist
	<p>AI Ethics The Force will ensure that all AI related software or developments are assessed for bias through the Force governance structure including public scrutiny through the ethics committee.</p>	Cautious
Security	<p>IT and cyber Security We have a very low appetite for risks to the network and availability of systems that support our critical functions; we have a very low appetite for threats to our assets arising from external malicious attacks.</p>	Averse
	<p>Site security Ensuring our sites are physically secure is important to maintain security of information and ICT equipment, and we will maintain all required access restrictions and use of appropriate identification to support this.</p>	Cautious
Project / Programme	<p>Business Change We are open to taking some risk in order to ensure we remain focussed on the future. Business change can be achieved by developing new and innovative ways of managing our services and includes investment in new technologies and IT development.</p>	Open
Reputational	<p>Reputation We are willing to accept some risks to reputation if there is clear potential for the benefits to outweigh the risks. Our willingness to take risks is limited to those situations where there is little chance of significant repercussions for the force should there be a failure. Our reputation is enhanced by our positive attitude towards Social Value and our risk appetite in other areas.</p>	Open
	<p>Staff/Officers - Unethical Behaviour Where appropriate we will educate and advise staff/officers whose behaviour falls short of the high standards expected.</p>	Cautious

2021 Combined Audit Plan – Police and Crime Commissioner for North Wales, and Chief Constable of North Wales Police

Audit year: 2020-21

Date issued: March 2021

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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2021 Combined Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.
- 2 This is a combined plan for my audit of both the Police and Crime Commissioner for North Wales (the Commissioner), and the Chief Constable of North Wales Police (the Chief Constable).

My duties

- 3 I complete work each year to meet the following duties.

Audit of financial statements

- 4 Each year I audit both of the Commissioner's and the Chief Constable's financial statements to make sure that public money is being properly accounted for.

Value for money

- 5 The Commissioner and the Chief Constable have to put in place arrangements to get value for money for the resources they use. I have to be satisfied that they have done this.

Impact of COVID-19

- 6 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the financial statements and my financial audit and performance audit work.
- 7 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I note that there remains significant uncertainty and I understand that many bodies may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and wellbeing of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 Audit Wales staff will continue to work pragmatically to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to

ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.

- 9 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector means that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with you as the 2021 position becomes clearer.

Audit of financial statements

- 10 It is my responsibility to issue a certificate and report on the financial statements. For both the Commissioner and the Chief Constable this includes:
- an opinion on the on the 'truth and fairness' of the financial statements including the Police Pension Fund account for the financial year ended 31 March 2021; and
 - an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Commissioner and Chief Constable.
- 11 In addition to my responsibilities for auditing the financial statements, I also have responsibility for:
- certifying a return to the Welsh Government which provides information to support preparation of Whole of Government Accounts; and
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary).
- 12 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to those charged with governance prior to completion of the audit.
- 13 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 14 There have been no limitations imposed on me in planning the scope of this audit.
- 15 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

16 The following table sets out the significant risks I have identified for the audit of the financial statements of the Commissioner and the Chief Constable.

Exhibit 1: 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
Significant risks	
<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"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Impact of COVID-19 The COVID-19 national emergency continues and the pressures on staff resources and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>

Audit risk	Proposed audit response
Significant risks	
<p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit.</p> <p>The Home Office has made available additional funding streams to support police forces across England and Wales. The various funding streams include a loss recovery scheme and additional funding for costs related to COVID-19 enforcement.</p> <p>Examples of audit risks include:</p> <ul style="list-style-type: none"> • incorrect accounting treatment for COVID-19 funding; • fraud/error risks; • potential year-end valuation uncertainty; and • estimation of accrued annual leave provisions. 	<p>We will review the funding streams received from the Home Office and confirm the appropriate accounting treatment with North Wales Police.</p>
Other audit risks	
<p>McCloud judgement</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’ arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. The Government recently announced that for unfunded schemes the underpin will be the deferred choice model for the remedy. No announcement</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 and Police pension schemes.</p>

Audit risk	Proposed audit response
<p>has yet been made on the Local Government Pension Scheme. Final details are expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	

Other matters

17 There is one further matter on which my audit team will undertake early work in preparation for the 2021-22 audit.

Exhibit 2: Other matters

This table summarises the early work to be undertaken in preparation for the 2021-22 audit.

Other matters	
<p>CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The authority will, however, need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>

Use of resources

18 It is my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. **Appendix 1** shows the criteria we need to assess in coming to our conclusion on your arrangements.

19 In considering these criteria, I place reliance on:

- the results of the audit work undertaken on the financial statements;
- the results of the work of other external review bodies, eg HMIC and the National Audit Office, where relevant to my responsibilities;

- the Commissioner and the Chief Constable's systems of internal control; as reported in the Annual Governance Statements and my report thereon; and
 - the results of other work carried out by the Auditor General and data-matching exercises.
- 20 My audit team will also identify audit areas where we need to obtain additional assurance to supplement the sources listed above. This work will focus on specific elements of the corporate governance and financial management processes in place for the Commissioner and Chief Constable and will include a focus on the financial pressures faced, the monitoring arrangements in place and the financial resilience of the Offices of the Commissioner and Chief Constable.

Statutory audit functions

- 21 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 22 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 23 My fees and planned timescales for completion of the audit are based on the following assumptions :
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete, and management has responded to issues that may have affected the financial statements.

Fee

- 24 Your estimated fee for 2021 is set out in **Exhibit 2**. This figure is a slight reduction from last year's estimated fee.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts	78,999	79,166
Use of resources	4,700	4,700
Total fee	83,699	83,866

- 25 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with you.
- 26 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 27 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

Exhibit 3: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320566	derwyn.owen@audit.wales
Michelle Phoenix	Audit Manager	02920 320660	michelle.phoenix@audit.wales
Mike Whiteley	Audit Lead	02920 829389	mike.whiteley@audit.wales

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you. The fees are payable from November 2020 to October 2021.

- 28 I can confirm that with the exception of one member of staff, my team members are all independent of the Commissioner and Chief Constable and their officers and I am not aware of any potential conflicts of interest that I need to bring to your attention.
- 29 With regards to the exception mentioned above where one of my staff is related to a serving police officer, we have reviewed this and concluded that there are no restrictions on the member of staff working on the audit. Nevertheless, the audit team have taken additional steps to safeguard our independence and objectivity by ensuring that any work undertaken by the staff member on the payroll audit will be subject to an additional level of review. In addition, they will not be involved in any review of operational activities.

Timetable

- 30 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

Exhibit 4: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	December 2020 to March 2021	March 2021
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	June 2021 to August 2021	October 2021 October 2021 November 2021
Annual Audit Summary	N/A	December 2021
2022 Audit Plan	January to March 2022	March 2022

Appendix 1

Criteria to assess arrangements for securing economy, efficiency, and effectiveness in the use of resources

Exhibit 5: corporate arrangements for economy, efficiency, and effectiveness in the use of resources

Corporate arrangements	Questions on arrangements
Establishing objectives determining policy and decision making	Has the Commissioner/Chief Constable put in place arrangements for setting, reviewing, and implementing his strategic and operational objectives?
Meeting the needs of users, stakeholders, and the local population	Has the Commissioner/Chief Constable put in place channels of communication with the local population, users of the service, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Monitoring and reviewing performance	Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary and reporting to the Commissioner/Chief Constable?
Compliance with established policies	Has the Commissioner/Chief Constable put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Operational and financial risks	Has the Commissioner/Chief Constable put in place arrangements to manage his significant business risks?

Corporate arrangements	Questions on arrangements
Managing financial and other resources	<p>Has the Commissioner/Chief Constable put in place arrangements to evaluate and improve the value for money he achieves in his use of resources?</p>
	<p>Has the Commissioner/Chief Constable put in place arrangements to ensure that his spending matches his available resources?</p>
	<p>Has the Commissioner/Chief Constable put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Commissioner/Chief Constable?</p>
Proper standards of conduct etc	<p>Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutinising performance, to identify potential variances against strategic objectives, standards and targets for taking action?</p>
	<p>Has the Commissioner/Chief Constable put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of his business?</p>



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.