

**Joint Report of the Chief Executive and Chief Constable  
To the Chair and Members of the  
Audit & Internal Control Panel  
28<sup>th</sup> May 2009**

**Executive and Presenting Officer: Joe McCarthy Chief Executive  
Ann Hall ACO (F&C)**

**Report Author: Paul Kirkham  
Status: For Agreement**

## **The Annual Governance Statement 2008/2009**

### **1. Purpose**

- 1.1 With effect from the financial year 2007/2008 the requirement to produce a Statement of the Systems of Internal Control ceased. The review of the internal control arrangements now form part of a wider ranging document entitled "Annual Governance Statement". This report seeks Member review of the second Annual Governance Statement to be produced under these arrangements.

### **2. Recommendations**

Members are asked to

- 2.1 To consider and amend as appropriate the draft Annual Governance Statement.
- 2.2 Subject to 2.1 to recommend for approval to the Police Authority Executive meeting on the 4<sup>th</sup> June 2009 the Annual Governance Statement at Appendix A.

### **3. Reasons**

- 3.1 The Police Authority Executive on the 11<sup>th</sup> December 2007 received a report about the new arrangements required under the Account and Audit Regulations, and defined proper practices to publish an Annual Governance Statement (AGS). The Executive agreed to build upon the existing arrangements for production of the Statement of Internal Control. This means

that the Audit and Internal Control Panel has the responsibility to review the draft AGS, and to make recommendations to the Executive meeting. The draft has been drawn up using the CIPFA/SOLACE framework and the guidance referred to below.

- 3.2 The CIPFA/SOLACE working group has produced a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. Most crucially, however, is the doctrine that good governance relates to the whole organisation.
- 3.3 The governance framework itself remains a discretionary code and is offered to organisations as good practice. It outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations from 2007/8.
- 3.4 Separate guidance to the governance framework tailored for local authorities has been compiled by CIPFA/SOLACE. A further document tailored for police authorities prepared in conjunction with the APA and ACPO has been published (*Delivering Good Governance in Local Government – Interim Guidance Note for Police Authorities and Forces in England and Wales*).
- 3.5 It was recognised that additional guidance was required because policing is different to other local government structures and requires specific and separate guidance about implementing the good governance Framework. Unlike local authorities, police authorities are largely bodies of governance, not delivery: which is broadly the function of forces. Whilst this makes good governance the core business of police authorities and extremely important to them, many (but not all) of the operational management functions that would be carried out by the Chief Executive in a local authority are delegated to Chief Officers and delivered by police forces. This is separate from, but related to, the concept of 'operational responsibility' of Chief Officers within the law, which ensures they have command and control of key policing and security functions without undue interference.
- 3.6 However, there are certain aspects where the police authority has a direct responsibility for managing its own business. These are not delegated to the Chief Officer, and in these respects, for instance, ensuring it has the capacity and structures in place to fulfil its statutory functions, it retains responsibility for its own operational management.
- 3.7 To reflect the separate functions of police authorities and police forces, structures have been developed which are specific to the needs of policing, but different to other local authority structures. For example, police authorities

operate corporate decision making arrangements, while most local authorities operate executive arrangements. This also means that police authorities do not have overview and scrutiny structures in the same sense as they exist in local authorities, where they operate as a check and balance on the power of the executive. However, a significant function of police authorities is to monitor and challenge force activity, so in this sense they have a scrutiny function. The references to scrutiny in the good governance Framework therefore need to be interpreted in this context.

- 3.8 As a consequence of the above the guidance offers alternatives for production of AGS. There may be an AGS for a Police Authority, and a separate one signed by the Chief Constable for the Force. Alternatively there can be a combined AGS for the Authority and the Force, and this is what the Executive agreed at its meeting on 11<sup>th</sup> December 2007.
- 3.9 A briefing for Members outlining the processes and assurances supporting the production of the AGS was given on the 5<sup>th</sup> May 2009
- 3.10 Elsewhere on today's agenda there are reports relating to various aspects of production of the AGS. Subject to Members views and comments on these preceding AGS related reports, the Panel is asked to consider and amend as appropriate the final draft of the Annual Governance Statement 2008-2009 contained at Appendix A to this report. The document will then be presented by the Chief Executive and the Chief Constable to the Police Authority Executive for consideration separately from the Annual Statement of Accounts (also due to be on the Panel's agenda today) at its meeting on the 4<sup>th</sup> June 2009.

## **4 Implications**

- 4.1 Finance  
There are no specific monetary implications within the report. Activity relating to making improvements is being met from existing budgets.
- 4.2 Sustainability  
Servicing the AGS process flows out of the Authority's and Force's processes & procedures and as such is accommodated within existing staffing resources.
- 4.3 Diversity and Equal Opportunities  
There are no diversity or equal opportunity implications in this report.
- 4.4 Risk  
This report is focused on organisational health and governance issues which if not addressed represent risks to the reputation of the Police Authority and the Force.

## **5 Conclusions**

- 5.1 This report represents the progression of advice in the CIPFA – Rough Guide to the AGS.

Joe McCarthy  
Chief Executive

Sean Price  
Chief Constable



# Annual Governance Statement

Position as at 31<sup>st</sup> March 2009 including plans for the financial year 2009/2010

## 1. SCOPE OF RESPONSIBILITIES

- 1.1 Cleveland Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 1.3 At its meeting on 11th December 2007, the Authority approved and adopted a revised Code of Corporate Governance, and which is compliant with CIPFA/SOLACE principles of good governance, and guidance. It has been the subject of regular review and updating since then. A copy of the current Code is on our [website](#) or can be obtained from Cleveland Police Authority, Police Headquarters, Ladgate Lane Middlesbrough, TS8 9EH.
- 1.4 This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled

and its activities through which it accounts to and engages with the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 2.3 An approved governance framework has been in place at the Authority for the year ended 31<sup>st</sup> March 2009 and up to the date of approval of the statement of accounts on 4th June 2009.

### **3 THE GOVERNANCE FRAMEWORK**

- 3.1 Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold him or her to account for the exercise of those functions and those of the persons under his/her direction and control.
- 3.2 It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

#### The Authority

- 3.3 The authority now has a well established process to review its Code of Governance at least annually, and to ensure its panel structure meets its needs. Material changes to the Code were agreed at the meeting on 5<sup>th</sup> June 2008. Also during 2008 the structure was changed to add two new panels: Strategic Air Support Panel; and Strategic Procurement & Major Projects Panel.
- 3.4 The Audit & Internal Control Panel has the remit to act as the Authority's Audit Committee. Force performance is scrutinised by the Strategic Policing and Performance panel, whilst responsibility for overseeing financial management, efficiency and effectiveness rests with the Policy & Resources (Corporate Development) panel. All panels

report to the Police Authority Executive on a six weekly cycle. The frequency of meetings has changed to promote more timely decision making and this has been assisted by an annual timetable for reporting to panels.

- 3.5 The Code of Corporate Governance is accessible through the authority's website. It meets the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The next major review is to be considered at the authority's June meeting.
- 3.6 A further appraisal of member training needs was completed in year, and this has informed the programme of training undertaken in 2008/2009. Training has encompassed: Annual Governance Statement; Proceeds of Crime Act; Child Sex Offenders pilot project; Finance including integration of business and financial planning; Audit; Contract Standing Orders; Performance Management and Comprehensive Area Assessment.

#### The Force

- 3.7 Within the Force, the Chief Constable has assigned to members of his Force Executive specific areas of responsibility, including key elements of the internal control environment. Executive officers attend those panels whose remits cover their areas of responsibility to present reports and answer questions on behalf of the Chief Constable. The Chief Constable particularly attends the Policy & Resources Panel, and Police Authority Executive meetings.
- 3.8 The work of the Force Executive is supported by Service Units.
- 3.9 This support structure is designed to manage service delivery whilst ensuring that effective governance is applied throughout the Force. Corporate Planning and Performance Unit has direct responsibility for business planning, policy co-ordination, change and corporate performance management. Whilst the Operational Performance Team has a more day to day focus on improving Force performance including operations audit, inspection and review. The Strategic Development Group oversees development of operational and business policies. This is chaired by the Chief Constable. It follows the Chief Constable's operational vision of Putting People First, and is guided by the local and national Policing Plan, applicable legislation and best practise. All of these have key roles in corporate governance.
- 3.10 The Force Performance Management Framework is now well established with monthly performance reviews with service unit managers by the Executive lead officers.

- 3.11 The Chief Constable has tasked the Deputy Chief Constable to lead the Project Board which co-ordinates the efforts of the Force to ensure a sound system of governance and to co-ordinate an appropriate response to the significant governance issues listed at Section 5 of the Statement.

#### 4. REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:
- the system of internal audit
  - the system of internal control
- 4.2 These reviews have been completed by the work of the PURE & Annual Governance Statement Group (PURE & AGS group), internal auditors, Panels and also managers within the Authority and Force who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review. Brief comments on their roles are as follows:-
- The PURE & AGS group
 

This is a multidisciplinary team comprised of representatives from the Police Authority and the Force, and internal audit. Its role is to conduct the review of governance arrangements including systems of internal control, in accordance with CIPFA guidance. This is achieved by gathering evidence and for example, surveying managers about compliance with the control framework. The outcome of its work is reported to management and to the Audit & Internal Control Panel. One outcome is the drafting of the Annual Governance Statement, including identification of areas for improvement, for management and Member scrutiny.
  - Internal Audit:
 

The responsibility for maintaining and reviewing the system of internal control rests with the Authority. In practice however the Authority takes assurance from the work of Internal Audit (it has procured its Internal Audit function from Bentley-Jennison). In fulfilling this responsibility:

    - Internal Audit operates to CIPFA's Code of Internal Audit Practice 2006 and the Accounting Practices Board Guidance for Internal Auditors. The Authority received a self assessment from internal audit on 28<sup>th</sup> May 2009 in relation to compliance against the 2006 CIPFA Code. It is satisfied

that Internal Audit operates to the standards set out in the Code and can take assurance from their opinion.

- The Code requires the Head of Internal Audit to include in the annual internal audit report an opinion on the internal control environment; providing any details of weaknesses that qualify this opinion and bringing to the attention of the Authority any issues particularly relevant to the preparation of this Annual Governance Statement. The Audit & Internal Control Panel formally received the Internal Audit Annual Report for 2008/2009 on 28<sup>th</sup> May 2009 and endorsed the Head of Internal Audit's assurance on internal control.
- Internal Audit reports to the Chief Executive and the Audit & Internal Control Panel. The Chair and Vice Chair meet privately with the Head of Internal Audit. In addition, prior to each meeting of the Panel all of its Members have a collective opportunity to meet with the Head of Internal Audit.
- Internal audit work is planned using a risk-based approach that aims to ensure that the Treasurer's responsibilities under Sec 151 and 144 are fulfilled and that an effective internal audit service is provided to the Authority.
- External Audit – the Audit Commission in its annual audit letter reports on:
  - The Authority's accounts; and
  - Whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

External audit express an opinion on the adequacy of internal audit work. After each meeting of the Panel all of its Members have a collective opportunity to meet with the Audit Manager.

- Audit and Internal Control Panel

This panel acts as the Audit Committee for the Authority. During 2008-2009 the Panel has met formally on six occasions to conduct its business. Business includes, but is not limited to consideration and scrutiny of: proposed changes to internal control arrangements such as new Contract Standing Orders; exemptions from tendering; the Annual Governance Statement; and the Annual accounts. It also receives all internal audit reports, and those from the external auditors related to its remit. Implementation of recommendations from these reports is reported to the panel.

During the year the panel has agreed two significant policies namely: the Whistle-blowing Policy and the Counter Fraud & Corruption Policy. Both of these were informed by specialist advisory work commissioned from the authority's internal auditors. Together with the Fraud Response plan they represent a re-emphasis and strengthening of the authority's approach to managing the risk of fraud.

With the assistance of the Audit Commission the panel concluded a process of self assessment in November 2008. Designed to identify and remedy any significant shortfalls against best practice, this proved to be a very helpful process in developing the panel's core knowledge and was exceptionally well attended by the panel membership. Progress against the approved action plan was reported to the panel's March 2009 meeting.

- Strategic Policing and Performance Panel

The Panel's remit includes monitoring and scrutinising the Force's performance; in reducing crime and increasing offences brought to justice; against the operational objectives set in the Annual Policing Plan; and against the components of the Assessment of Policing & Community Safety.

- Complaints Panel

To ensure the Authority fulfils its role to secure an effective and efficient police service in respect of complaints against police (CAP).

- Standards Committee

The Standards Committee is a requirement of the Local Government Act 2000. This Committee deals with statutory issues such as hearing cases referred by the Standards Board. The Standards Committee has an Independent Chair and Vice Chair who are not regular members of the Police Authority but classed as co-opted members for this purpose.

4.3 Assurance is drawn from a number of other sources. For example HMIC, Health & Safety Inspectorate, external insurers, partners and organisations such as the courts. The Audit & Internal Control Panel reviewed the sources of assurance in March 2009 as part of the AGS process. This review takes place annually.

4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Internal Control Panel and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 5. SIGNIFICANT GOVERNANCE ISSUES

5.1 The Force has established a Project Board to monitor and drive programmes of work, assisted by the Police Authority, which will help develop and enhance existing arrangements for corporate governance. In the last two years sufficient progress has been made on the significant issues identified for us to conclude that they no longer need to be classified as significant.

5.2 However there are still issues which require continued focus:

- Force organisational governance has been the subject of change in part in response to the challenge of integration of business and financial planning. Further work is needed to embed the principles, concepts and processes of corporate governance, flowing from the Code of Corporate Governance updated in June 2008, through training and communication to the Force, stakeholders and contractors.
- The Force has made progress in developing to plan for major business disruption via business continuity planning, and it is acknowledged that a considerable amount of progress remains to be made.
- Significant progress has been made to integrate business and financial planning during this last year. However further developmental work needs to be undertaken, and the mechanisms need to run through further cycles before the arrangements can be judged to be fully embedded.

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

Signed this 4<sup>th</sup> June 2009 by

Cllr Dave McLuckie  
Chair of Cleveland Police Authority

Joe McCarthy  
Chief Executive of  
Cleveland Police Authority

Sean Price QPM  
Chief Constable of  
Cleveland Police

On behalf of the Members and officers of  
Cleveland Police Authority and Cleveland Police.