

**Joint Report of the Chief Executive and Chief Constable
To the Chair and Members of the
Audit and Internal Control Panel
28th 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
Statement of Key Controls**

1. Purpose of this Report

- 1.1 This report is intended for the Audit and Internal Control Panel to review and comment on the Statement of Key Controls as part of the process of establishing the assurance framework in support of the Annual Governance Statement

2. Recommendations

Members are asked to

- 2.1 Agree the Statement of Key Controls as set out at Appendix A.

3. Reasons

- 3.1 At its meeting on 11th December 2007 the Police Authority Executive received and agreed a report in relation to the requirements to produce an Annual Governance Statement. Members were advised that the mechanism to be used was to be the same group that prepared the Statement of Internal control (SIC). As with the SIC work the methodology used has been to follow the CIPFA "Rough Guide" in this case - "The Annual Governance Statement – meeting the requirements of the Account and Audit Regulations 2003 – Incorporating Account and Audit (Amendment)(England) Regulations 2006 ".

- 3.2 Elsewhere on this agenda there are other reports arising from various elements of the advice in the Rough Guide.
- 3.3 As part of the framework for preparing the Annual Governance Statement the PURE & AGS Group has collated a Statement of Key Controls, as one the Sources of Assurance which underpin the provision of assurance on the adequacy and effectiveness of controls over key risks. This is similar in content, and exactly the same format as that considered and agreed by the this Panel on 28th May 2008.

4. The Statement of Key Controls

- 4.1 Members will recall that the statement has been constructed to serve two purposes, that of the AGS process and also to feed into the previous Police Use of Resources Evaluation (PURE) process. The first component of the key controls tabulation (attached at Appendix A) shows at which level of PURE the control would relate, i.e. 2, 3 or 4. Where there is no link to PURE N/A is shown.
- 4.2 The PURE & AGS Group has reviewed the extent to which there is evidence to support compliance with these key controls and show the source of assurance relied upon. More detail of this evidence is contained in the AGS Assurance document referred to in the report elsewhere on the agenda, and which has been circulated to Members as a briefing source.
- 4.3 As Members will appreciate the vast majority of the conclusions are positive i.e. "Yes". Some conclusions are "Partial" because there is work in progress as part of the wider development of governance arrangements.
- 4.4 The majority of the "Nos" are for controls which are at level 4 for PURE. These represent performance well above minimum standards and to which we aspire. Considerable developmental work will be needed to achieve these levels and are long term actions that need to be included in plans for the development of the wider governance arrangements. Other "Nos" require action plans to be established for more immediate improvements.
- 4.5 The direction of travel arrows illustrate significant changes whether positive or negative (see page 14) compared to the assessed position for last year.

5 Implications

- 5.1 Finance
There are no specific monetary implications within the report. Activity relating to making improvements is being met from existing budgets.
- 5.2 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.

5.3 Diversity and Equal Opportunities

There are no diversity or equal opportunity implications in this report.

5.4 Risk

This report is focused on organisational health and governance issues which if not addressed represent reputation risks to both the Police Authority and the Force.

6 Conclusions

6.1 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 2008-2009 – Assurance work.

Key Controls Revised 31st March 2009

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
GOVERNANCE								
N/A			There is a Corporate Governance framework which is up to date, reflecting; legislative requirements, codes of best practice, and local arrangements which are in use.	Monitoring Officer		✓		
				Chief Executive		✓		
N/A			An annual governance statement is prepared to report publicly on the extent to which there has been compliance with the code, including how the Authority has effectively monitored governance arrangements in the year and any planned changes for the coming period.	Monitoring Officer		✓		
N/A			The Authority agrees and adheres to an annual timetable for making significant decisions.	Chief Executive	The reference to significant decisions relates to the local government	✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
					requirements. The CPA has established a work programme including provision for when important decisions such as the budget are to be taken.			
BUSINESS PLANNING								
N/A	An agreed timetable is published which ensures that the Authority and Force's Policing Plan and Corporate Policing Strategy are prepared in accordance with statutory requirements and statutory/regulatory timetables.		Chief Executive		✓			
			Head of CP&P		✓			
N/A	The key strategic objectives of the Authority and the Force have been clearly identified. They take account of both local and national priorities.		Chief Executive		✓			
			Head of CP&P		✓			

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
N/A			The Authority and the Force operate effective performance management arrangements, through MPR process to identify and address risks to performance.	Head of CP&P		✓		
	X		The Authority and Force have put in place an assurance framework that maps the Authority's strategic objectives to risks, controls and assurances.	Chief Executive			✓	
				ACO (F&C)			✓	
				Internal Audit			✓	
WORKFORCE PLANNING AND MANAGEMENT								
N/A			An annual recruitment plan is developed and agreed by the Force. It is subject to regular reporting to the Force Executive and, via budgetary control arrangement, to the Perf & Audit Panel.	Head of P & OD	For Police Officers and PCSO	✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
N/A			The Force has put in place a medium-term (three year) workforce strategy which is linked to the key strategic objectives of the Authority and the Force, and takes account of both local and national priorities, including the requirements of the efficiency agenda.	Head of P & OD			✓	
N/A			A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff.	Head of P & OD		✓		
N/A			There is an annual report to Members in respect of Health and Safety compliance.	Head of P & OD		↩		
FINANCIAL MANAGEMENT								
X			The Authority has put in place a medium-term (three year) financial	Chief Executive		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			strategy which is linked to the key strategic objectives of the Authority and the Force, and takes account of both local and national priorities, including the requirements of the efficiency agenda.	ACO (F&C)		✓		
X			The medium term financial plan (MTFP) models income and expenditure over a minimum of 3 years and is reviewed and updated at least annually.	Chief Executive		✓		
				ACO (F&C)		✓		
N/A			An agreed timetable is published which ensures that the Authority's Revenue and Capital budgets are prepared in accordance with statutory requirements and statutory/regulatory timetables.	Chief Executive		✓		
				ACO (F&C)		✓		
X			A comprehensive and balanced revenue budget has been set, based	Chief Executive		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			on realistic projections about pay, inflation, and known service and capital development plans.	ACO (F&C)		✓		
X			Budget holders are involved in the budget setting process	ACO (F&C)		✓		
X			Budgets are subject to review by senior managers and members	Chief Executive		✓		
				ACO (F&C)		✓		
X			The overall budget is approved by the Authority before the start of the year.	Chief Executive		✓		
X			The budget reported to Authority members includes a positive assurance statement from the chief finance officer about the robustness of estimates made for the purposes of the budget calculations, in accordance with the requirements of section 25 of LG Act 2003.	Chief Executive		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
X			An affordable capital programme has been agreed and the current and future funding of this is built into revenue planning	Chief Executive		✓		
				ACO (F&C)		✓		
X			There is a formal scheme of budget delegation, covering both delegation from the Authority to the Force, and from the Chief Constable to BCUs and Departments.	Chief Executive ACO (F&C)	Force delegation framework needs updating.	✓	✓	
X			The Authority receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records, and data is as up to date as possible when reported.	Chief Executive		✓		
				ACO (F&C)		✓		
FINANCIAL REPORTING								
N/A			Systems of internal control are in place that ensures that financial transactions are lawful.	ACO (F&C)		✓		
				Chief Executive		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
				Monitoring Officer		✓		
				Internal Audit		✓		
N/A			Suitable accounting policies are selected and applied consistently.	Chief Executive		✓		
				ACO (F&C)		✓		
N/A			Proper accounting records are maintained.	ACO (F&C)		✓		
				Internal Audit		✓		
				Chief Executive		✓		
N/A			Financial statements are prepared which present fairly the financial position of the Authority and its expenditure and income.	Chief Executive		✓		
				ACO (F&C)		✓		
N/A			An agreed timetable is published which ensures that the Authority's	Chief Executive		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			accounts are prepared in accordance with statutory requirements and statutory/regulatory timetables.	ACO (F&C)		✓		
X			The auditor gave an unqualified opinion.... on the latest set of annual accounts	Audit Commission		✓		
			The Force and the Authority adhere to the CIPFA Treasury Code of Management.	Chief Executive		✓		
				ACO (F&C)		✓		
MANAGING SIGNIFICANT BUSINESS RISK								
X			The Authority and Force have adopted risk management strategies/policies. The Authority policy/strategy has been approved by Authority Members.	Head of P & OD		✓		
X			The risk management strategies/policies require the Authority and Force to:	Head of P & OD		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			<ul style="list-style-type: none"> • identify policing and operational risks • assess the risks for likelihood and impact • identify mitigating controls • allocate responsibility for the mitigating controls • involve professional standards. 					
N/A			IMPACT Board monitor implementation of Bichard Recommendations.	ACC/DCC		✓		
N/A			The controls to monitor progress include: quarterly performance reports to Police Authority: individual briefings on progress to MPR, executive officers and Police Authority Members: analysis and monitoring through annual NIM strategic assessments and control strategy.	ACC		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
X			The Authority and Force maintain and review registers of corporate business risks linking them to strategic business objectives and assigning ownership for each risk.	Head of P & OD			⇒	
X			There is a committee/group with specific responsibility included in its terms of reference to consider corporate risk management.	Head of P & OD		✓		
X			Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.	Head of CP&P		✓		
				Monitoring Officer		✓		
	X		The business risk management process is reviewed and updated at least annually.	Head of P & OD		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
	X		The business risk management process specifically identifies risks in relation to partnerships and provides for assurances to be obtained about the management of those risks.	Head of P & OD			✓	
	X		All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.	Head of P & OD			✓	
	X		The Authority members and officers with specific responsibility for business risk management have received risk management awareness training.	Head of P & OD		←		
				Secretariat Manager		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
	X		The member panel with responsibility for business risk management receives reports on a regular basis, and takes appropriate action to ensure that corporate business risks are being actively managed, including reporting to the full Authority as appropriate.	Head of P & OD			✓	
		X	A senior officer and member jointly champion and take overall responsibility for embedding business risk management throughout the Authority and Force.	Head of P & OD Chief Executive	DCC & ACC (Corporate Development) Chair of Perf & Audit Panel	← ←		
		X	The Authority and Force can demonstrate that it has embedded business risk management in its corporate business processes, including: <ul style="list-style-type: none"> • strategic planning • financial planning 	Chief Executive			✓	
				Head P&OD			✓	

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			<ul style="list-style-type: none"> policy making and review performance management 	Head of CP&P			✓	
				ACO (F&C)	Financial planning		✓	
		X	All appropriate Authority members and senior officers have received business risk management awareness training.	Head of P & OD Secretariat Manager		✓	✓	
		X	The Authority and Force considers positive business risks (opportunities) as well as negative risks (threats).	Head of P & OD			✓	
N/A			The Authority and Force maintain appropriate insurance arrangements	Head of P & OD		✓		
				Head of Legal Services		✓		
				ACO (F&C)	Self insured risks		✓	
N/A			The Authority regularly reviews its policy on financing risk.	Chief Executive			←	

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance		
2	3	4			Notes	Yes	Partial
SOUND SYSTEM OF INTERNAL CONTROL							
X			Appropriate member and officer groups have responsibility for review and approval of the AGS and consider it separately from the accounts.	Chief Executive		✓	
				ACO (F&C)		✓	
X			The Authority and Force have conducted an annual review of the effectiveness of the system of internal control and reported on this in the AGS.	Chief Executive		✓	
				ACO (F&C)		✓	
				Internal Audit		✓	
X			The sources of assurance to support the AGS have been identified and are reviewed by senior officers and Authority members.	Chief Executive		✓	
				ACO (F&C)		✓	

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
X			There are action plans in place to address any significant internal control issues reported in the AGS	Chief Executive ACO (F&C)		←		
X			The Authority has a properly constituted audit committee, under the chairmanship of a police Authority member other than the chairman, which receives and considers reports from both internal and external audit.	Chief Executive Monitoring Officer		✓		
X			The Authority has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government.	Chief Executive		✓		
				Internal Audit		✓		
X			There are procedure notes/manuals in place for key financial systems.	ACO (F&C)			✓	
				Internal Audit			✓	
X			There are standing orders, standing financial instructions and a scheme	ACO (F&C)	All needs review		✓	

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			of delegation in place.	Monitoring Officer		✓		
X			The roles of each of the statutory officers (Treasurer, Clerk and Monitoring Officer), as well as the Force Finance Director are clearly defined. The Force Finance Director is a member of the Force Management Team as required by the statutory Financial Management Code of Practice.	Chief Executive		✓		
				ACO (F&C)		✓		
				Monitoring Officer		✓		
X			The Authority has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	Monitoring Officer	Scheme of delegation		✓	
				Internal Audit			✓	
X			All reports to Authority members have been formally considered for legal issues before presentation.	Monitoring Officer		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance		
2	3	4			Notes	Yes	Partial
X			The Authority and Force have business continuity plans in place which are reviewed on a regular basis.	Head of P & OD		✓	
X			The Authority and Force have arrangements in place to ensure that they have a sound system of internal financial control, for example carrying out regular bank reconciliations and reconciliations of major feeder systems.	ACO (F&C)		✓	
				Internal Audit		✓	
X			The Authority and Force have identified their significant partnership arrangements, and have the relevant partnership agreements in place.	ACO (F&C)			✓
				SUM's		✓	
	X		The Authority and Force have put in place an assurance framework that	Head of P & OD			✓

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			maps the Authority's strategic objectives to risks, controls and assurances.	Chief Executive			✓	
	X		The assurance framework provides members of the appropriate committee with information to support the AGS.	Chief Executive		✓		
				ACO (F&C)		✓		
	X		The audit committee provides effective leadership on audit and governance issues. It is proactive and has a forward looking programme of meetings and agenda items to ensure comprehensive coverage of all responsibilities in relation to the internal control environment.	Chief Executive	An annual programme has been agreed by the Audit Panel.	←		
	X		Membership of the audit committee includes some non-elected (i.e. not Councillors) Authority members	Chief Executive		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
	X		Audit committee members are provided with Specific training relevant to their responsibilities.	Secretariat manager			✓	
	X		The procedure notes/manuals for key financial systems are reviewed and updated as appropriate.	ACO (F&C)			✓	
	X		The standing orders, standing financial instructions and scheme of delegation are reviewed and updated as appropriate.	ACO (F&C)			✓	
				Chief Executive			✓	
				Internal Audit			✓	
	X		Compliance with standing orders, standing financial Instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken.	ACO (F&C)		✓		
		X	The assurance framework is fully embedded in the Authority's business processes.	Chief Executive			✓	

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance				
2	3	4			Notes	Yes	Partial	No	
		X	The Authority can demonstrate corporate involvement in/ownership of the process for preparing the AGS.	Chief Executive		✓			
		X	The Authority can demonstrate a good track record of the audit committee providing independent assurance and effective challenge leading to improvements in governance and internal control.	Chief Executive			←		
		X	The standing orders, standing financial instructions and scheme of delegation make specific reference to partnerships.	ACO (F&C)				✓	
				Chief Executive					✓
				Monitoring Officer					✓
		X	Partnership agreements are subject to regular review and updating.	ACO (F&C)				✓	
				SUMs			✓		
PROBITY & PROPRIETY									

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
X			The Authority has formally adopted a code of conduct for all members, including independent and court appointed members, which includes the mandatory provisions of the statutory Model Code of Conduct.	Monitoring Officer		✓		
X			All elected and co-opted members, including independent and court appointed members, have signed up to the code of conduct.	Monitoring Officer		✓		
	X		The Authority has undertaken an assessment of standards of conduct, including how effectively Authority Members are complying with the code of conduct, the number and types of complaints received, and take action as appropriate.	Monitoring Officer		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
X			The Authority's standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000.	Monitoring Officer		✓		
N/A			The Authority has adopted a code of conduct for its staff.	Chief Executive		✓		
	X		The Authority is proactive in raising the standards of ethical conduct amongst Authority members and staff, including the provision of ethics training.	Monitoring Officer		✓		
		X	The Authority can demonstrate that its members and staff exhibit high standards of personal conduct and can demonstrate a strong counter fraud culture across the Authority	Monitoring Officer		↩		
X			The Force has adopted a code of conduct for its staff	Head of P & O D		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
				Head of Professional Standards		✓		
		X	The Force can demonstrate that its staff exhibit high standards of personal conduct.	Head of P & O D		✓		
				Head of Professional Standards		✓		
				Complaints		✓		
	X		The Force is proactive in raising the standards of ethical conduct amongst its staff, including the provision of ethics training.	Head of P & O D		✓		
				Head of Professional Standards		✓		
X			The Authority and Force have put in place arrangements for monitoring compliance with standards of conduct across the Authority including:	Monitoring Officer		✓		
			• register of interests					

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
			<ul style="list-style-type: none"> • register of gifts and hospitality • complaints procedure 	ACO (F&C)				✓
				Complaints		✓		
	X		<p>Authority members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that Authority members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.</p>	Monitoring Officer		✓		
				Chief Executive		✓		
X			<p>The Authority and Force has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.</p>	Monitoring Officer		✓		
				Head of Professional Standards		✓		
				Head of Internal Audit		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
	X		The Authority and Force undertake proactive counter fraud and corruption work which is determined by a formal risk assessment.	Head of Professional Standards		✓		
				Chief Executive			✓	
		X	The risk of fraud and corruption is specifically considered in the Authority's and Force's overall business risk management process	Head of P & OD			✓	
X			There is a whistle-blowing policy which has been communicated to staff and those parties contracting with the Authority and the Force.	Monitoring Officer		?	✓	
				Head of Professional Standards		↩		
	X		The whistle-blowing policy is publicised within the Authority and Force and demonstrates the Authority's and Force's commitment to providing support to whistleblowers	Monitoring Officer		✓		
				Head of Professional Standards		✓		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
		X	The Authority and Force have a track record for effective action in response to whistle blowing disclosures. There are periodic reviews of the effectiveness of the whistle blowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.	Monitoring Officer				✓
				Head of Professional Standards		✓		
X			The Authority and Force have provided the required data for the National Fraud Initiative (NFI), has notified data subjects of this use of data, and has established a process to follow-up NFI data matches.	ACO (F&C)		↩		
X			Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.	ACO (F&C)		↩		

PURE Level			Nature of Key Control	Sources of Assurance	Current status of assurance			
2	3	4			Notes	Yes	Partial	No
	X		The Authority works with other bodies as necessary when following-up data matches from NFI. Risks are followed-up promptly to prevent prolonged exposure.	ACO (F&C)		←		