

JOINT AUDIT RISK ASSURANCE COMMITTEE

REPORT TITLE	ANNUAL GOVERNANCE STATEMENT
REPORT BY	CHIEF FINANCE OFFICER / DIRECTOR OF FINANCE
DATE	16 MAY 2019

PURPOSE OF THE REPORT

1. To receive, review and comment upon the Police & Crime Commissioner's and Chief Constable's Annual Governance Statements (AGS).

ATTACHMENTS

- Annual Governance statements:
Appendix A - PCC
Appendix B - CC

RECOMMENDATIONS

1. That the Committee receives, reviews and comments on the PCC and CC AGS's as set out in Appendices A & B.
2. That the Committee approves the inclusion of the AGS (together with the Regional Collaboration AGS) within the PCC/Group Accounts for 2018/19 (Appendix A).

CONTACT FOR ENQUIRIES

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BACKGROUND

The AGS is a key document within both sets of accounts.

The AGS sets out the Governance framework and structure in place to deliver sound corporate governance, which in turn provides reassurance that the information contained within the accounts can be relied upon.

BACKGROUND PAPERS

A. None

POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**STATEMENT OF ACCOUNTS 2018/19****COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2018/19**

Position as at 31 March 2019 including plans for the financial year 2019/20

1 INTRODUCTION

1.1 This Annual Governance Statement (AGS) explains how the Police and Crime Commissioner (Commissioner) has complied with: -

- The Derbyshire Joint Code of Corporate Governance.
- Requirements of Regulation 6[1] (a) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the review of the effectiveness of the system of internal control.
- The Police Reform and Social Responsibility Act 2011 (the Act).

1.2 The Commissioner and the Chief Constable have approved and adopted a Derbyshire Joint Code of Corporate Governance which is consistent with the principles of the CIPFA Framework: *Delivering Good Governance in Local Government: Guidance note for Policing in England & Wales 2016*. A copy of the Joint Code of Corporate Governance can be obtained from the Chief Executive, Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website [here](#).

1.3 The Chief Constable produces his own AGS which covers in more detail the activities of Derbyshire Constabulary. It is recommended that this AGS is therefore read in conjunction with the Chief Constable's version.

2 SCOPE AND RESPONSIBILITY

2.1 The Commissioner and the Chief Constable are responsible for ensuring that business is conducted in accordance with the law and proper standards, that

public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

- 2.2 The Commissioner is responsible under the Police Reform and Social Responsibility Act 2011 for securing, amongst other things, an efficient and effective police service for Derbyshire and to deliver value for money, and continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.3 In discharging this overall responsibility, the Commissioner 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. He may do this through delegation to his officers.

3 THE POLICE AND CRIME PANEL

- 3.1 The Police and Crime Panel has been established under legislation to hold the Commissioner to account by scrutinising his decisions and also has a role to play in overseeing the police and crime plan, on the setting of the precept, the appointment of the Commissioner's statutory officers and in the appointment of a Chief Constable. The panel is politically and geographically balanced with representatives from the local authorities in the policing area with 3 co-opted independent members. There are 19 members on the Derbyshire panel.

4 THE PURPOSE OF A GOVERNANCE FRAMEWORK

- 4.1 The Police Reform and Social Responsibility Act 2011 changed the way policing was governed by introducing one directly elected Commissioner. The Commissioner is a corporation sole, as is the Chief Constable, and this required a new governance framework to be adopted.

- 4.2 Governance is about the systems, processes, culture and values which companies and other organisations are directed and controlled. Good governance enables the Commissioner to:
- Deliver on his vision and priorities for policing and crime
 - Performance manage the Chief Constable and other partners
 - Hold the Chief Constable and other partners to account for delivery
 - Make decisions in an open, transparent way
 - Engage with the public and victims to achieve better outcomes
 - Provide good stewardship over public funds and achieve value for money

Importantly, it also provides an appropriate level of control and flexibility to enable the Chief Constable to make timely, efficient and effective operational decisions.

- 4.3 The Policing Protocol Order 2011 requires the Commissioner to abide by the seven Nolan Principles as defined by the Committee on Standards in 'Public Life' published in May 1995. These principles include: selflessness, integrity, objectiveness, accountability, openness, honesty and impartiality. The protocol also defines the Chief Constable's operational independence from interference by the Commissioner.
- 4.4 The Commissioner has sworn an oath of impartiality. This has committed him to serve local people without fear or favour and it sets out his public commitment to performing his role with integrity, impartiality and fairness.
- 4.5 The Commissioner's governance framework has been in place since 22 November 2012 when the first Commissioner for Derbyshire was elected. The framework was in place at the year-end 31 March 2019. The original frame work was amended with effect from 1 April 2014 to reflect the transfer of all police staff (except those under the direct control of the Commissioner) to the employment of the Chief Constable (called the Stage 2 transfer).
- 4.6 The Police & Crime Commissioner is able to confirm that his financial management arrangements conform to the Financial Management Protocol

issued under the Police Reform and Social Responsibility Act 2011 and the CIPFA Statement on the Role of the Chief Finance Officer (CFO) of the Police & Crime Commissioner and the Role of the CFO of the Chief Constable.

5 THE POLICE AND CRIME PLAN

- 5.1 Each Commissioner is required to set out his vision, priorities and objectives for policing and crime within the Police and Crime Plan which has effect (subject to review) until the end of the financial year following a normal PCC election. The production and publication of the Police and Crime Plan is a core statutory planning requirement as defined by the Police Reform and Social Responsibility Act 2011. The Plan sets out the resources and assets that the Commissioner will make available to the Chief Constable for policing and the mechanisms by which the Chief Constable will report on performance and be held to account.
- 5.2 In developing the plan the Commissioner is required to consider a number of duties. These include:
- Working and co-operating with partner organisations in developing and implementing local crime and disorder strategies.
 - Engaging and consulting with the public, victims of crime and businesses.
 - Resources to support the strategic policing requirements to address national risks, harm and threats.
 - Have regard to the safeguarding of children, promoting the welfare of children and equality and diversity
 - Co – operation with local criminal justice bodies to provide efficient and effective criminal justice services.
- 5.3 Developing the Police and Crime plan is part of the Commissioner's annual business planning and commissioning cycle process. The Commissioner may review the Police and Crime plan to take account of public and victim consultation and findings from the any partnership risk and threat

assessment, subject to consultation with the Chief Constable and approval by the Police and Crime Panel.

- 5.4 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 Constabulary, the Commissioner is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the Commissioner must satisfy himself that the Constabulary has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice. To this end and as a consequence of the Chief Constable being a corporation sole with his own accounts, the Commissioner has had regard to the Chief Constable's AGS when producing his own AGS.

6 THE INTERNAL CONTROL ENVIRONMENT

- 6.1 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable 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 Commissioner's policing 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.
- 6.2 The following documents and strategies establish the policies, aims and objectives at a high level:
- The five year Police and Crime Plan reflecting local and national priorities
 - The Office of the Police and Crime Commissioner Business Plan
 - The Medium Term Financial Plan
 - Strategic Risk Registers (Constabulary and Commissioner)
 - The Joint Scheme of Corporate Governance
 - The Code of Corporate Governance

- The Scheme of Delegation and Consent
- The Financial Regulations and Contract Regulations
- Meetings protocol
- Terms of reference for the Joint Audit Risk and Assurance Committee

6.3 These documents and other strategies and policies, which incorporate best practice, demonstrate that the Commissioner operates a good system of internal control and is detailed further in the following key elements of the Internal Control environment.

6.4 The Internal Control environment supports the Commissioner in establishing, implementing and monitoring policies and objectives. The Commissioner, in consultation with the Chief Constable, re-published (following amendment in 2017/18) his 5 year Police and Crime Plan which articulates the policing objectives, based on public consultation, the assessment of risk and threat in the County and the Commissioner's manifesto commitments. The plan has to have regard to the national Strategic Policing Requirement and the Policing Protocol, as well as the community safety priorities of the responsible authorities.

6.5 The Medium Term Financial Plan and the Risk Registers are linked to the policing objectives identified in the Police and Crime Plan. These objectives are used to direct resources and manage activity and risk.

6.6 The 7 policing objectives in the (amended) 2016/2021 Police and Crime plan for Derbyshire are: -

1. Working to keep the most vulnerable in our communities safe from crime and harm and supporting those who unfortunately find themselves a victim of crime
2. Working to tackle the emerging threats of cyber and cyber-enabled crime on individuals, businesses and communities
Working to tackle the impact of drugs and alcohol on communities

3. Supporting those with mental health issues, including those with learning difficulties, who come into contact with the Criminal Justice System, as victim or offender, to get the right support, from the right agencies at the right time
 4. Working with young people, including those who have been either victims of crime or offenders, to understand their needs and prevent them becoming involved in criminal activities
 5. Working with the Constabulary to develop the policing family to be more representative of the diverse communities it serves
 6. Working with the Constabulary and partners to maximise the opportunities from developments in technology
- 6.7 The activities of the Constabulary are further governed by the vision, corporate values, principles and behaviours that have been agreed by the Commissioner and the Chief Constable.
- 6.8 Through the mechanism of a bi-monthly public Strategic Priorities Assurance meeting (SPA), the Commissioner receives regular reports from the Chief Constable, the Chief Constable's Director of Finance, the Chief Executive and the Chief Finance Officer on the implementation of these objectives, financial management and emerging issues. Each SPA meeting is thematic and includes input from partners concerning the specific Police & Crime Plan objectives being considered. This is supplemented by a range of policies and processes to support the operation of the Commissioner's office, including a scheme of delegation to officers, standing orders relating to the business of the Commissioner, and codes of conduct for the Commissioner and his Deputy as well as the staff of the OPCC.
- 7 TRANSPARENCY**
- 7.1 The Commissioner has adopted and is following a wide ranging and robust transparency agenda which, whilst it is based on the secondary legislation of

the two Specified Information orders and the requirements of the Information Commissioner's Office, is nevertheless one of the Commissioner's key tenets. Meetings are publicised in advance and published along with any supporting reports that are not subject to a restrictive marking.

- 7.2 The financial management of the Commissioner's business is integrated with, and influenced by, many of the above processes, and includes processes for forward planning of expenditure and resources; budget consultation, setting and monitoring; and completion of final accounts, all aimed to be accurate, informative and timely. The Commissioner also has in place financial regulations designed to support sound financial management policies and procedures, and adherence thereto, and to reflect the Commissioner's current management structure and business activities.
- 7.3 In order to ensure compliance with policies, procedures and statutory requirements, the Commissioner has a range of controls and processes in place, as set out below. These processes also assist the Commissioner to ensure the economical, effective and efficient use of resources, and to secure continuous improvement in exercising his functions, providing for an effective performance management and reporting process.
- 7.4 The Commissioner or his representatives sit on project boards at all levels within the Constabulary and the Constabulary regularly provides the Commissioner with information on performance, finance and risk management, in accordance with an agreed forward plan, which is published.
- 7.5 Collaborative functions are overseen by the East Midlands Police and Crime Commissioners Board (EMPCCB). The Board provides oversight of all collaboration activities in the region and is a forum for all Police and Crime Commissioners and Chief Constables to share and demonstrate their experiences of partnership work. All forces can discuss governance, performance and financial issues at the regular EMPCCB meetings. The collaboration approach builds on best practice from across the region and

nationally to improve performance and enhance resilience as well as delivering a cost saving agenda.

- 7.6 There are 5 forces in the East Midlands region –Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire. These continue to review collaborative arrangements through the East Midlands Police Collaboration Programme (EMPCP) which is led by the Deputy Chief Constable East Midlands. All the projects aim to save money, increase capacity and capability, maintain or improve customer service standards, use officer and staff time in the best way possible, deliver the best service with the resources available, improve performance or make better use of technology. The EMPCP focuses on delivering joint regional work in both operational and non-operational support services. Not all collaboration initiatives are shared by all five forces. Further information on the collaborations which Derbyshire is a participant in can be found within the main Statement of Accounts.
- 7.7 A regional AGS has been produced by the Deputy Chief Constable East Midlands covering performance monitoring, arrangements for compliance with relevant laws, policies and procedures, and that appropriate controls are in place for the management of resources. A management structure is in place, with clear lines of accountability for both operational issues and use of resources. Budgets for each service are approved each year at EMPCCB which defines the expenditure targets for each area of policing within regional collaboration.
- 7.8 Each force actively supports the budget allocation and sets its own precept accordingly. Management reports showing costs against budget are produced monthly and unexpected variances are investigated and explained, ready for reporting to EMPCCB quarterly. The monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date.
- 7.9 Whilst the EMPCCB provides joint oversight, Commissioners remain individually responsible for their decisions and Chief Constables are held to account locally for activities they carry out regionally.

7.10 The Joint Audit Risk and Assurance Committee (JARAC) for the Chief Constable and the Commissioner is charged with overseeing the corporate governance process and the management of risk. It carries out the role similar to that of an audit committee but acts in an advisory and assurance capacity. It will review the Annual Governance Statement and approve its inclusion in the annual Statement of Accounts.

8 REVIEW OF THE JOINT CODE OF CORPORATE GOVERNANCE 2018/19

8.1 In adopting the Joint Code the Commissioner undertook to demonstrate compliance with the principles of corporate governance in each of the six dimensions of his business:

- Focusing on the purpose of the Commissioner and the Constabulary, and on outcomes for the community, and creating and implementing a vision for the local area
- Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of the Commissioner and the Officer of the Police and Crime Commissioner to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

A self-assessment tool has been adopted by the Commissioner to evaluate how well he met his own code during 2018/19, together with identifying what areas of work will be reviewed or improved in 2019/20. The self-assessment tool is reviewed quarterly.

9 DELIVERING THE GOVERNANCE FRAMEWORK

- 9.1 The Commissioner is committed to maintaining an effective governance framework.
- 9.2 The JARAC has oversight over the full range of audit and inspection activity undertaken (excluding ethics dip testing). This provides effective assurance that governance arrangements are working effectively. It is intended that JARAC will enhance its role in providing assurance on the Chief Constable and Commissioner's financial management arrangements during 2019/20.
- 9.3 External audit is carried out by Ernst & Young LLP (2018/19 onwards), whilst Mazars provides the internal audit service. HMICFRS (Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services) have no remit to inspect the Commissioner but can inspect activities on request and for a fee. In addition, changes to either Fire governance and/or complaints handling may see elements of the Commissioner's activities inspected.
- 9.4 The designated Monitoring Officer (the Commissioner's Chief Executive) is responsible for promoting and maintaining high standards of conduct of the Commissioner and his deputy by monitoring compliance with the Commissioner's Code of Conduct and the Register of Interests and Hospitality.
- 9.5 Collaboration is overseen by Management Boards which inform the agendas of the East Midlands Police and Crime Commissioners Board.

10 REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL

- 10.1 The Commissioner has responsibility for conducting, at least annually, the review of the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within both the Constabulary and the Commissioner's Office who have responsibility for the development and

maintenance of the internal control environment. It is also informed by the comments received from external auditors, and other agencies.

- 10.2 There are a number of ongoing processes, which review effectiveness from several different perspectives, and these are explained further within the Review of Effectiveness of Internal Control (a copy of which is available on the PCC's website).
- 10.3 Internal Audit also provides assurance statements for each audit they carry out during the year, categories being Significant, Satisfactory, Limited or No Assurance.
- 10.4 Management Assurance statements were provided to the Chief Executive and Chief Finance Officer by individual Senior Officers in the OPCC to provide confirmation on the status of the internal control environment within their areas of responsibility.
- 10.5 The Head of Internal Audit Opinion has reported that "*our overall opinion is that adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation's objectives.*" and this is as detailed in the Internal Audit Annual Report 2018/19.
- 10.6 In addition to the above formal review, assurance is provided throughout the year through:
- The framework of regular management information.
 - Internal audit reviews, advisory reports and progress and follow-up reports.
 - Performance monitoring arrangements.
 - The role of the Professional Standards Department where their work impacts on the activities of the Commissioner's office.
 - Reviews by other external agencies.

10.7 Having undertaken the review of the effectiveness of the governance framework by the JARAC, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas of work or development and new actions planned in 2019/20 by the OPCC are outlined below:

- Periodically review the revised Corporate Governance Framework and self-assessment approach;
- Continue to review the Police and Crime Plan alongside the Chief Constable's operational plans to ensure alignment;
- Review the Financial Handbook (and associated regulations/procedures) in light of the decision to appoint a Joint Director of Finance for both the Police and Fire & Rescue services in Derbyshire.
- Undertake thematic internal audit work (with regional partners) across regional collaborations;
- Review the effectiveness of the new SPA meeting at increasing both public engagement and transparency.

11 **SIGNIFICANT INTERNAL CONTROL ISSUES**

11.1 **Significant Internal Control Issues 2018/19** – There were no significant control issues identified during the year and the system of Internal Control is considered to have operated adequately in 2018/19. At the time of writing, the Statements of Accounts for 2018/19 have not yet been audited although work is on target to adhere to the authorisation and publication deadlines. There are no known post balance sheet events.

11.2 There was a single significant control issue identified and reported in the Annual Governance Statement for 2017/18. This related to Business Continuity and was satisfactorily addressed during 2017/18.

LOOKING FORWARD

- 11.3 The financial settlement for policing in 2019/20 was set against the backdrop of pressure to increase resources in the face of rising crime and concerns around visibility in communities. Furthermore, Derbyshire were notified of a significant pension cost related to officers following a government actuarial valuation. The Home Office provided additional grant that partly offset the pensions issue (that had been imposed on Derbyshire and other forces) together with the flexibility to increase the local precept (council tax) by up to £24 per year for a Band D equivalent property.
- 11.4 This additional funding has allowed the Commissioner and Chief Constable to increase workforce numbers by 120 in 2019/20 (on top of the additional 25 police officers in 2018/19).
- 11.5 Whilst the Commissioner has been able to support the Chief Constable's plans to increase workforce numbers, it should be noted that reserves also had to be utilised to ensure a balanced budget is maintained. That can not continue indefinitely and so the Commissioner and Chief Constable have a challenge ahead of them to find efficiencies in future years whilst protecting the additional investments made in recent years.
- 11.6 The Constabulary continue to work towards an ambitious Estate vision which aims to provide a modern, fit for purpose Estate that can service the needs of both the Constabulary and the communities that they serve. Integral within this plan is closer working and (where possible) co-location with Derbyshire Fire and Rescue Service (DFRS). Having already demonstrated the value of co-location at the Joint Headquarters and the new Joint Training Centre at Ripley, the next major project will be within Derby city centre. This will be followed by projects in both the north-west and north-east of Derbyshire. The governance arrangements for co-locating with DFRS will be designed with efficiency and strong partnership working at their core.
- 11.7 The Commissioner and Chief Constable will continue to review the senior governance arrangements to ensure that they maintain the right balance between accountability and enabling rapid and effective decision-making.

This is particularly relevant to the appointment of a Joint Director of Finance for the Police and Fire & Rescue Services in Derbyshire.

- 11.8 The regional collaboration agenda continues to evolve. As individual collaborations mature and changes occur at senior levels within the partner organisations, there is a continuous need to review and challenge whether collaborations remain fit for purpose. That work will help maintain buy-in from partners but also clearly identify any emerging funding challenges regionally that also impact Commissioner's locally.
- 11.9 The Chief Constable's AGS refers to a number of challenges in the future and the actions to be taken to address them. Most notably, the implementation of the replacement for the Airwave communication network (Emergency Services Mobile Communications Programme or ESMCP) is a major national project that has experienced a number of significant delays which are outside the control of Derbyshire. The Commissioner is regularly briefed on the issue and his Chief Finance Officer has oversight of the financial implications both within Derbyshire but also more widely on behalf of the region as described by the s22 agreement governing that collaboration.
- 11.10 In addition to ESMCP the Constabulary also faces challenges in responding to the Crime Data Integrity inspection from HMICFRS. The Commissioner will continue to seek assurances from the Chief Constable as well as monitor progress against the recommendations made in that report.
- 11.11 Brexit continues to cause a great deal of uncertainty for the United Kingdom and particularly policing. The Constabulary have existing governance structures in place to prepare for all outcomes and ensure a continuity of the service it provides to the public. The Commissioner has received significant assurance from the Chief Constable and his Chief Officer Team regarding the Constabulary's Brexit readiness although this remains under review as we approach the, as yet unknown, departure date from the European Union.

12 **SUMMARY**

12.1 During 2018/19 the internal and external auditors continued to work with the organisation and have provided both opportunities and challenges. The Commissioner welcomes the challenge and the support proved by our auditors; we will continue to meet the financial, economic and governance challenges of ensuring there is an efficient and effective policing service in Derbyshire.

Further Information:

- Police and Crime Commissioner for Derbyshire: Review of the Code of Corporate Governance 2018/19 (see PCC's website)
- Internal Control Environment of the Police and Crime Commissioner for Derbyshire incorporating the review of effectiveness for 2018/19 (see PCC's website)
- Regional AGS 2018/19 (included below)

Police and Crime Commissioner for Derbyshire
Annual Governance Statement 2018/19

Hardyal Dhindsa

Police and Crime Commissioner for Derbyshire

Date:

David Peet

Chief Executive

Office of the Police and Crime Commissioner for Derbyshire

Date:

Andrew Dale

Chief Finance Officer

Office of the Police and Crime Commissioner for Derbyshire

Date:



East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

ANNUAL GOVERNANCE STATEMENT **FOR REGIONAL COLLABORATION 2018/19**

I confirm that the relevant controls and procedures are in place to manage the following issues within Regional Collaboration for the East Midlands:

1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to.

Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

3. That the appropriate controls are in place for the management of all resources deployed within Regional collaboration

A management structure is in place, with clear lines of accountability for both operational issues and use of resources.

A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC/CC's Board. Monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

4. Incorporating good governance arrangements in respect of partnerships.

The EMPCC/CC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money.

Signed

Chris Haward

Date 7/5/19

Chris Haward
Deputy Chief Constable (East Midlands)

Annual Governance Statement

1. Introduction

- 1.1. This Annual Governance Statement explains how the Chief Constable has complied with: -
- The Derbyshire Joint Code of Corporate Governance.
 - Requirements of Regulation 6[1] (a) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the review of the effectiveness of the system of internal control.
 - The Police Reform and Social Responsibility Act 2011 (the Act).
- 1.2. The Police and Crime Commissioner (Commissioner) and the Chief Constable have approved and adopted a Derbyshire Joint Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government: Guidance note for Police. A copy of the Joint Code of Corporate Governance can be obtained from the Chief Executive, Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website at <https://www.derbyshire-pcc.gov.uk/Document-Library/Transparency/Public-Information/Policies-Procedures-and-Protocols/Code-of-Corporate-Governance---June-2013-FV.pdf>

2. Scope of responsibilities

- 2.1. The Commissioner and the Chief Constable are responsible for ensuring that business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner and Chief Constable are responsible under the Police Reform and Social Responsibility Act 2011 (the Act) for securing, inter alia, efficient and effective policing for Derbyshire and to deliver value for money, being continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2. In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his 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.
- 2.3. The Chief Constable for Derbyshire is responsible for maintaining the Queen's peace and has direction and control over the officers and staff operating within Derbyshire Constabulary. The Chief Constable holds office under the Crown and is appointed by the Commissioner.
- 2.4. The Chief Constable is accountable in law for the exercise of policing powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by Derbyshire Constabulary. At all times the Chief Constable, his officers and staff remain operationally independent in the service of the public. In discharging his overall responsibilities, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.
- 2.5. The Chief Constable appointed a professionally qualified Chief Financial Officer (CFO) for Derbyshire Constabulary with effect from 22 November 2012. *On 1 October 2018 the Chief Constable appointed a temporary Joint Chief Finance Officer (CFO) along with Derbyshire Fire and Rescue Service, pending a review to establish whether there was benefit in a permanent joint role. In March 2019 both the Chief Constable and Derbyshire Fire and Rescue Service approved the creation of a permanent Joint CFO role to cover both organisations.*

- 2.6. Under the Police Reform and Social Responsibility Act 2011 the Chief Constable's CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the proper financial administration of Derbyshire Constabulary. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and Social responsibility Act 2011 ("2011 Act")). The Chief Constable's CFO is a key member of Derbyshire Constabulary's Chief Officer Team, helping it to develop and implement strategy and to resource and deliver the Commissioner's strategic objectives sustainably and in the public interest. The CFO is actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered. The CFO leads the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO ensures the finance function is resourced to be fit for purpose and oversees that appropriate management accounting systems, functions and internal controls are in place so that finances are kept under review on a regular basis.
- 2.7. Under s.35 of the 2011 Act in exercising his functions the Chief Constable must ensure that good value for money is obtained and this includes ensuring that persons under his direction and control obtain good value for money in exercising their functions.
- 2.8. Derbyshire Constabulary (as a standalone entity) is legally required to produce an Annual Governance Statement. This statement helps the Commissioner to hold the Chief Constable to account for efficient and effective policing. This statement sits alongside the Statutory Accounts for the Chief Constable and gives assurance to the Commissioner of Derbyshire Constabulary's governance arrangements.

3. The Governance Framework

- 3.1. The governance framework comprises the systems and processes, culture and values by which the Chief Constable is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Chief Constable to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 3.2. The Constabulary's governance framework was in place at the year-end 31st March 2019 and is expected to be up to the date of the approval of the Statement of Accounts 2018/19.
- 3.3. This statement has been prepared for the 2018/19 financial year to state Derbyshire Constabulary's current governance arrangements, to report on their effectiveness during the year and to outline future actions planned to further enhance the arrangements.
- 3.4. Derbyshire Constabulary has adopted a joint code of corporate governance with the Commissioner, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This statement explains how the Chief Constable has complied with the code and also meets the requirements of Section 6 of the Accounts and Audit Regulations (England and Wales) 2015 in relation to the publication of a statement on internal control. This is underpinned by the governance framework as follows.
- 3.5. A Joint Audit Risk and Assurance Committee (JARAC) is in place providing independent assurance to both the Commissioner and the Chief Constable on the adequacy (excluding Professional Standards) of:-
- Risk Management and the internal control framework of the Commissioner and Chief Constable.
 - Governance arrangements including providing for value for money.
 - Support and review work of audit providing assurance on risk management, internal controls and the annual accounts.
 - Appointment of internal audit & recommendations on external audit provision.

- Appropriate scrutiny of annual accounts, with advice from External Audit, especially the financial reporting process.

4. Corporate Governance Reporting and Processes

- 4.1. Derbyshire Constabulary's Chief Officer Team, led by the Chief Constable, is responsible for ensuring Derbyshire Police has a corporate governance framework that reflects the principles of openness, integrity, accountability and equality, and supports the delivery of quality policing.
- 4.2. The governance framework enables Derbyshire Constabulary 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. An annual review of this framework takes place and appropriate improvements are made to ensure that it remains fit for purpose. The Constabulary also carries out regular performance reviews, where each Chief Officer holds the Division or Department to account for their performance. This has been further augmented by the introduction of a **Performance Assurance Board to provide additional focus on overall policing performance and a Change Board to approve and oversee significant projects.**
- 4.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Constabulary's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

5. Organisational Structures and Processes

- 5.1. Decision making structures are well established and are regularly reviewed to ensure they are fit for purpose. The Commissioner's Police and Crime Plan sets out policing priorities and the resourcing of those priorities. It reflects the areas of greatest importance locally, identified through consultation with the public, or where performance improvement is required. Our plan and our planning process are complementary to other partnership plans such as Community Safety Partnerships, Local Criminal Justice Board, Safeguarding Boards and Local Strategic Partnerships.
- 5.2. We work closely with our partners in order to ensure consistency and alignment where possible. The Chief Constable holds regular meetings, which are attended by the Constabulary's Chief Officer Team, Divisional Commanders and Heads of Departments and senior members of staff. These meetings are used to consult on and develop policy and ensure the engagement of the senior managers of the organisation in change. The Police and Crime Plan objectives are cascaded throughout the Constabulary via Divisional and Departmental briefings and included as appropriate in individual learning and development plans.
- 5.3. The Commissioner approves an annual budget for the Constabulary activity which is aligned to the Police and Crime Plan.

6. The risk management process by which Derbyshire Constabulary identifies and seeks to prevent and mitigate key risks

- 6.1. An infrastructure has been established to support the effective management of risk and ensure that information on risks is gathered and acted on in a consistent and efficient manner. The Risk Management Group annually reviews the Risk Management Policy Statement and policy guidance.

- 6.2. The Constabulary recognises exposure to a wide and diverse range of risks and opportunities in securing the delivery of priorities and objectives. All employees, volunteers, contractors and partners are responsible for identifying and managing risks as part of their role and the Director of Finance and Business Services, as corporate sponsor, ensures that risk management is supported and championed at Chief Officer Team level and throughout the Constabulary.
- 6.3. The Risk Management Policy provides clear guidance by which the Constabulary manages uncertainty in a structured and effective way. The risk management framework and infrastructure provide a solid foundation for risk management and standard for consistency ensuring that information on risks is gathered and acted upon in an efficient manner. **This has been further augmented by the introduction of a new replacement computerised system to manage risks and enable greater analytical information of risks.**
- 6.4. Risk management is fully embedded into the business planning process in order to identify the threat, harm and risk facing the Constabulary in order to prioritise and identify areas which need resourcing. The Constabulary maintains a hierarchy of risk registers for strategic, operational, project and programme risks. The strategic risks are subject to scrutiny by the JARAC.
- 6.5. The Risk Management Board, chaired by the Director of Finance and Business Services, meets quarterly to monitor changes to the Constabulary risk profile and process. The Commissioner has a risk champion who attends the meeting to maintain a strategic overview of risk management issues in the Constabulary. This is attended annually by a member of the JARAC.

7. Business Continuity

- 7.1. Derbyshire Constabulary has robust plans in place to ensure business continuity following incidents. The Business Continuity Steering Group, comprising of relevant departmental representatives assist the Business Continuity Manager in developing the business continuity management process and respond to any business continuity crisis, as required.
- 7.2. **Business Continuity arrangements involve close liaison with other partners and business continuity links have been strengthened with Derbyshire Fire & Rescue Service. Recent planning for Brexit also involved working with a wide range of partners across Derbyshire.**

8. Insurance

- 8.1. The Commissioner continues to maintain, develop and renew its insurance programme in order to minimise financial risks.

9. Health and Safety

- 9.1. Derbyshire Constabulary takes very seriously its responsibility for the health and safety of all who attend the premises where the business of Derbyshire Constabulary is conducted or are affected by our undertaking. The overall responsibility for health and safety matters rests with the Chief Constable, who ensures that effective procedures and processes are in place.

10. Reviewing and updating standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required managing risks

- 10.1. The Financial Handbook is reviewed and updated regularly to ensure it remains fit for purpose. **Following the decision to appoint a Joint CFO for the Constabulary and DFRS, the financial rules will be further reviewed to ensure close alignment between the two organisations.** Procedure notes and manuals are in place for all key systems and are also reviewed regularly. A Scheme of Delegation sets out financial authorisation levels for police officers and staff throughout the organisation. A Medium Term Financial Strategy is in place and is fully linked to the organisation's strategic objectives. At an operational level, rigorous and regular budget

monitoring takes place and a well-established fraud assurance programme is in place. Robust management of income collection and debt recovery continues.

11. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- 11.1. Processes for ensuring compliance with relevant law and regulations are well established and work effectively. The Director of Finance and Business Support has statutory responsibilities in this regard, and Internal Audit provides an assurance function and an annual independent objective opinion on the control environment, comprising risk management, internal control and governance.
- 11.2. All reports to the Chief Officer Team and Project Boards together with all reports presented to the Commissioner must consider legal implications.

12. Determining the conditions of employment and remuneration of officers and staff, within appropriate national frameworks

- 12.1. Processes for determining the conditions of employment and remuneration of officers and staff within appropriate national frameworks are well established. Modernisation of police pay reports go to the Chief Officer Team detailing financial impacts, risks and progress to date.
- 12.2. Regular equal pay reviews are undertaken and there is a focus on maintaining market competitive pay and benefits. The Constabulary operates an approved job evaluation scheme based upon role profiles for each post. Regular strategic and local consultation is undertaken with staff associations and trades unions.

13. Identifying the development needs of senior officers and staff in relation to their strategic roles, supported by appropriate training

- 13.1. The Constabulary has an Annual Development Audit, which has been designed to take a more proactive approach to identifying, managing and monitoring work related and personal development objectives for all Police Officers and Police Staff.
- 13.2. Training programmes are available through the regional learning and development structure, the College of Policing, other professional bodies and external suppliers where appropriate.

14. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- 14.1. Derbyshire Constabulary is committed to ensuring our service meets the needs of the people of Derbyshire. Due regard has been taken of emerging stakeholder processes such as the Commissioner's Police and Crime Plan and the development of the 'Listening to You' campaign.
- 14.2. Over the last year this Communication has been further supported by an "Engage" initiative designed to promote greater visibility and interaction with citizens and communities across Derbyshire. This has recently morphed into the 'Safer Together' Campaign. A central theme of this is the development of a comprehensive engagement strategy, facilitated by the use of the 'Derbyshire Alert' communications system as a means of consulting and sharing information with our communities.

15. Whistleblowing and receiving and investigating complaints from the public and handling citizen and other redress

- 15.1. A confidential reporting policy is in place to enable officers and staff to report any concerns about malpractice or unlawful actions without fear of recrimination.

- 15.2. The Commissioner has made a commitment to putting things right and has a range of policies in order to deal with public complaints. Complaints against the Chief Constable are dealt with by the Commissioner; complaints against police officers or police staff that are under the direction of the Chief Constable are dealt with by the Chief Constable.
- 15.3. Complaint handling in Derbyshire Constabulary is monitored in regular meetings between the Head of Professional Standards Department and the Chief Executive of the OPCC or the Independent Police Complaints Commissioner.
- 15.4. The Constabulary recognises that it does not always get things right. It is essential that we are open and willing to learn from our mistakes and encourage people to come forward to learn from failures. The Chief Constable has renamed the former "Professional Standards Department" to "Organisational Learning, Culture and Ehtics". This signals a renewed emphasis on the need to learn from mistakes. The Constabulary has also established an Ethics and Culture Group, which aims to provide support to decision makers and leaders on ethical issues.

16. Role of the Chief Finance Officer

- 16.1. CIPFA have published a 'Statement of the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable', which describes the role and responsibilities of the CFO and sets out the five key principles that define the core activities and behaviours that underpin the role and the organisational requirements required to support them. There is an expectation that organisations will comply with the statement or explain their reasons for not doing so.
- 16.2. The five key principles are that the CFO: -
- Is a key member of the leadership team, helping it to deliver and implement strategy and to resource and deliver the Commissioner's strategic objectives sustainably and in the public interest.
 - Must be actively involved in and able to bring influence to bear on all material business decisions (subject to the operational responsibilities of the Chief Constable) to ensure immediate and longer term implications, opportunities and risks are fully considered and align with the overall financial strategy.
 - Must lead and encourage the promotion and delivery of good financial management, so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
 - Must lead and direct a finance function that is resourced to be fit for purpose.
 - Must be professionally qualified and suitably experienced.
- 16.3. The Chief Finance officer undertakes the role in accordance with the arrangements detailed in the Home Office Financial Management Code and compliance with the CIPFA statement.

17. Standards of Behaviour

- 17.1. Codes of conduct are in place for police officers and police staff. Relevant officers in the Constabulary are also subject to professional codes of conduct for their particular profession. For example the Chief Constable's Chief Financial Officer is bound by the code of the Chartered Institute of Public Finance and Accountancy (CIPFA), of which he is a member.
- 17.2. At least once a year, the Constabulary's policy on professional standards is reviewed by the Professional Standards Department and assessed based on its effectiveness and discrepancies over that period. Derbyshire Constabulary expects all members of staff to always be honest, truthful and sincere. We will uphold, administer and enforce all laws without bias or prejudice in a just, consistent and reasonable manner.

18. Review of Effectiveness and Conclusion

- 18.1. The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within Derbyshire Constabulary at least annually. This review is informed by the work of the Director of Finance and Business Services and managers within Derbyshire Constabulary who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2018/19 the Commissioner has placed reliance on this review and the Annual Governance Statement of Derbyshire Constabulary.
- 18.2. Internal Audit provided an independent opinion on the adequacy and effectiveness of the system of internal control and concluded that reasonable assurance can be given regarding the overall internal control environment, with no areas of concern identified by Internal Audit during 2018/19.
- 18.3. In the Annual Audit Letter for 2017/18, the External Auditor reported that he had issued an unqualified opinion on the Statement of Accounts and an unqualified conclusion on the Constabulary's arrangements for securing economy, efficiency and effectiveness in use of resources. He also reported that he had not identified any significant weaknesses in the Constabulary's internal control arrangements.
- 18.4. The annual inspections of police effectiveness, efficiency and legitimacy (PEEL) undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) looked at three key areas. (*The assessment for Derbyshire Police is show in italics*)
- The extent to which the Constabulary is **effective** at keeping people safe and reducing crime (*GOOD*)
 - The extent to which the Constabulary is **efficient** at keeping people safe and reducing crime (*GOOD*)
 - The extent to which the Constabulary is **legitimate** at keeping people safe and reducing crime (*GOOD*)

A further review will be undertaken in 2019/20.

- 18.5. Following the last PEEL assessment, HM Inspector of Constabulary stated

'I am very pleased with the performance of Derbyshire Constabulary in keeping people safe and reducing crime. The force has sustained strong relationships with other public sector organisations and charities. They work well together to provide effective long-term safeguarding for vulnerable adults and children, including those experiencing mental ill-health. Specialist teams provide a good service to people affected by domestic abuse. The force is also successfully tackling complex issues such as modern slavery. It has capitalised on changes it made in late 2016 to how its workforce is organised and to the infrastructure supporting its services. It is in a stable financial position and has robust plans. The force understands and meets the expectations of the public. It has a strong ethical culture, and its values inform an innovative workforce appraisal system and the selection of its leaders. I commend Derbyshire Constabulary for another strong performance this year and am confident that this is set to continue.

- 18.6. HMICFRS subsequently carried out a Custody inspection and Crime Data integrity inspection for Derbyshire Police as part of a rolling programme of inspections across police forces over recent years. There were some immediate remedial actions required in respect of custody facilities which have now been actioned. However, the Crime Data integrity inspection highlighted serious shortcomings in the way crime data is recorded in many forces. The inspection for Derbyshire Constabulary, published in March 2019 concluded that its arrangements were inadequate. Derbyshire Constabulary has accepted the findings of the report and is now taking rigorous steps to address them with a separate project team established to embed the change that is required.

18.7. We have been advised on the implications of the results of the review of the effectiveness of the governance framework by JARAC and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Having undertaken the review of governance, the following areas have been identified that are considered important in maintaining and strengthening the internal control environment. These areas will be tracked by the Constabulary and the JARAC over the next 12 months through its Assurance Map to ensure continuous improvement.

Governance Areas	Action
<p>The Constabulary is building closer links with Derbyshire Fire and Rescue Service with the decision to create a permanent joint CFO role as well as closer integration of Assets, Procurement and Fleet teams.</p> <p>As part of this closer working the Constabulary and Derbyshire Fire and Rescue Service will look at how they align their financial regulation and contract procedure rules, along with the potential to create more joint contracts for both organisations.</p>	<p>A management board has been formed, which is responsible for the management and control of the business and affairs of the LLP and oversees other opportunities to work together.</p> <p>The Joint CFO role will promote greater alignment and forge even stronger links between Police and Fire management boards.</p> <p>Both organisations have agreed a set of core principles which will be enshrined in a collaboration agreement that will formalise collaborative arrangements for Police and Fire</p>
<p>The Home Office's replacement of the Airwave network, titled the Emergency Services Mobile Communications Programme ESMCP, has a number of significant risks, including continued delays to implementation, failure to meet operational needs and unknown financial implications. It is important that robust programme management is in place to ensure major risks such as these are fully understood, so that appropriate action can be taken to minimise any potential impact on the Constabulary's ability to provide efficient and effective policing in Derbyshire.</p>	<p>The Constabulary has a robust Board structure in place to support the implementation of critical systems, which includes representatives from the regional project team.</p> <p>The Constabulary is also working with all other forces in the East Midlands Region to adopt a more consistent approach to this project and ensure that it has close links with the national project.</p>
<p>The Crime Data Integrity inspection highlighted the need to make significant changes to the way crime is recorded.</p>	<p>A project team has been established to implement a detailed improvement plan aimed at addressing the issues identified within the recent HMICFRS inspection</p>
<p>Constabulary is undertaking a wide range of projects to improve and develop the police estate so that it meets the future needs for policing across Derbyshire. It is essential that these programmes are co-ordinated and managed effectively.</p>	<p>A strategic estates board has been established to assess priorities for estates investment and oversee Estates projects.</p> <p>A new joint Estates team is being created with Derbyshire Fire and rescue service following the appointment of the Joint Head of Strategic Estates for the two organisations.</p>
Governance Areas	Action
<p>The Constabulary has an ambitious change management programme aimed at transforming</p>	<p>A change board has been established and programme management arrangements have</p>

<p>the way that the Constabulary does business.</p>	<p>been thoroughly reviewed.</p> <p>The Business Futures Department now has a stand-alone Business Change and Innovation Team. Investment has been made to ensure that there are the right resources with the right skills to deliver change across the organisation. This is supported by the creation of a Design Board chaired by the DCC. At this board, all change will be viewed, mapped and directed to ensure it is all developing the force in the right direction, improving services provided, co-ordinating effort, providing value for money and realising business benefits</p>
<p>The impact of the United Kingdom leaving the European Union remains uncertain and this will take some considerable time to assess at a national, regional and local level. At this stage the impact on Derbyshire Constabulary cannot be assessed with any accuracy.</p>	<p>The Constabulary will review the impact of BREXIT as more information becomes available and ensure that it is featured in its Business Continuity Assessments and Risk Management Plans.</p>
<p>Information management and the effective use of data is key to effective policing in the future. It is essential that the Constabulary has sound arrangement to analyse data and effective and appropriate data sharing protocols to protect against inappropriate disclosure.</p>	<p>The Constabulary has a governance structure in place to oversee this the effective use, sharing and storing of data through the DCC and Head of Information Management.</p>

19. Declaration

19.1. 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 ensure that Derbyshire Constabulary's governance processes will remain effective in a changing environment. We will continue to monitor their implementation and operation.

Signed:

Signed:

**Chief Constable of Derbyshire
Constabulary**

**Director of Finance and Business
Services**

Date:

Date: