



**Police and Crime Commissioner for Derbyshire**  
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**Derbyshire**  
**DE5 3RS**

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## **JOINT AUDIT RISK ASSURANCE COMMITTEE**

### **AGENDA**

<b>DATE OF MEETING</b>	27 September 2022
<b>TIME OF MEETING</b>	10:00 am
<b>LOCATION</b>	In person
<b>PCC CONTACT OFFICER</b>	Miss C Brannan
<b>CONSTABULARY CONTACT OFFICER</b>	C/Supt. Wilson(101)
<b>DISTRIBUTION</b>	Commissioner A Foster Chief Constable R Swann Mr A Dale Ms D Brown Mr S Allsop Mr J Peatling Ms K Meynell Ms H Burns Ms K Quick Ms J Cook Mr M Lunn (Mazars) Ms H Clark (EY) Mr M Faizan (EY) Ms N Ryan (EY) Members of the JARAC: Ms S Sunderland (Chair) Ms J Charlton Ms L Gelderd Mr L Harrold Mr A Jenkinson Mr B Mellor

*Meeting of the Joint, Audit, Risk and Assurance Committee on 27 September 2022*

**AGENDA: Reports attached**

<b>ITEM</b>	<b>SUBJECT</b>	<b>Presented by</b>
<b>1</b>	<b>APOLOGIES FOR ABSENCE</b>	<b>CHAIR</b>
<b>2</b>	<b>DECLARATIONS OF INTEREST (IF ANY)</b>	<b>ALL</b>
<b>3</b>	<b>MINUTES OF THE MEETING OF THE JARAC HELD ON 21 July 2022</b>	<b>CHAIR</b>
<b>4</b>	<b>REVIEW OF ACTIONS</b>	<b>CHAIR</b>
<b>5</b>	<b>JARAC BUSINESS ITEMS</b>	
	<b>FORWARD PLAN</b>	<b>CHAIR</b>
<b>6</b>	<b>EXTERNAL AUDIT</b>	
<b>6A</b>	Update from EY (paper) 6A	<b>EY</b>
<b>6B</b>	Annual Audit Letter (papers to follow)	<b>EY</b>
<b>7</b>	<b>FINANCIAL ASSURANCE</b>	
<b>7A</b>	Financial Monitoring and Planning	<b>JP</b>
<b>8</b>	<b>INTERNAL AUDIT</b>	
<b>8A</b>	Internal Audit Progress Report 8A	<b>MAZARS</b>

<b>9</b>	<b>INTERNAL CONTROL AND GOVERNANCE</b>	
<b>9A</b>	JARAC Annual Report	<b>SS</b>
<b>9B</b>	Update on the Complaints Procedures – Jed Keen and Marie Romano	<b>MR JK/FM</b>
<b>9D</b>	Fraud and Corruption – Condensed Version of the Performance Pack	<b>SA</b>
<b>9E</b>	IS Disaster Recovery	<b>R Cariss</b>
<b>9F</b>	Force Risk Register and Risk Management Strategy.	<b>ME SA</b>
	<b>CLOSED SESSION</b>	
	OPCC Structure	<b>AD</b>

**MINUTES** of a meeting of the **JOINT AUDIT, RISK ASSURANCE COMMITTEE** held remotely via Microsoft Teams on **Thursday 21 July 2022**

**P R E S E N T**

Ms S Sunderland – in the Chair (SS)  
Mr A Jenkinson (AJ)  
Ms J Charlton (JC)  
Ms L Gelderd (LG)  
Mr L Harrold (LH)

**OPCC Present:** Mr A Dale, (AD) Ms M Romano, (MR) Ms D Brown,(DB) Miss C Brannan (CB)  
**Constabulary Present:** Chief Constable R Swann, (RS) Mr S Allsop,(SA) Mr J Peatling (JP)  
**Internal Audit:** Mr M Lunn (ML)  
**External Audit:** Mr F Mohammed (FM)

<b>29/22</b>	<p><b><u>APOLOGIES</u></b></p> <p>Commissioner Angelique Foster DCC K Meynell Ms L Gelderd Ms H Clark</p> <p>The Committee were introduced to Miss Brannan who would be taking over the administration of the meeting.</p>	
<b>30/22</b>	<p><b><u>DECLARATIONS OF INTEREST</u></b> None noted</p>	
<b>31/22</b>	<p><b><u>MINUTES OF THE MEETING OF THE JARAC HELD ON 31 March 2022</u></b></p> <p>These were approved as a correct record</p> <p><b><u>MINUTES OF THE EXTRAORDINARY MEETING HELD ON 17 MAY 2022</u></b></p> <p>It was agreed that a complaint letter regarding EY countersigned by SS would be sent. Any future extraordinary meeting notes would be formally noted.</p>	<p><b>Minutes updated and letter sent 25.7.22 by DB</b></p>
<b>32/22</b>	<p><b><u>REVIEW OF ACTIONS</u></b> The action log was updated</p>	

<b>34/22</b>	<b>FORWARD PLAN</b>	<b>DB to add to plan and agenda</b>
	Annual audit letter to be added to September meeting	
	Ms Waldram gave a presentation on the revision of policies and procedures. It was outlined that the procedures were linked on the intranet and as these might be changed regularly, each department makes their own amendments. Assurance was given that as part of internal audits a review of procedures in each department is carried out.	
	SA agreed to send a list of policies to the Committee who will confirm which they wish to consider.	<b>SA to send list of policies to Committee</b>
	AD extended thanks to Ms Waldram for the work she has undertaken which was inherited from a very poor starting position. The Terms of Reference refers to major policies and procedures and a decision has to be made on what these are. AD to discuss further with BM in a separate meeting.	<b>DB to arrange discussion between AD and BM</b>
	AD presented the revised terms of reference which were accepted by the Committee	
	It was agreed that future meeting dates would be discussed further and circulated to the Committee by CB.	<b>CB to circulate proposed dates</b>
	<b>Update from EY</b>	
	FM reported that they were on track to deliver by the end of July. It was highlighted that the complaint letter due to be submitted was about the company and not a personal complaint against FM or HC. FM explained that an update will be provided as soon as possible.	<b>Letter sent to EY by DB on 25.7.22</b>
	<b>Draft Financial Statements</b>	
	JP reported that the accounts were due to be published by 31 July to give the Committee opportunity to scrutinise them. Thanks were extended to the Strategic Finance Team for compiling the accounts and to Julie Cook for overseeing and managing the process. A query was raised whether the fact that the audit had not been signed off needed to be reflected. AD confirmed that on both sets of accounts it will be stated that neither set of figures are correctly audited and they are subject	

	to conclusion of 20-21 and 21-22 audits. It was confirmed that reserves had been tabled at Financial Assurance and Design Boards.	
<b>40/22</b>	<p><b>7b Financial Outlook and NTFT</b></p> <p><i>Simon Allsopp and John Peatling provided an update considering cost of living increases. Will report to FAB then update Committee with detail on monitoring arrangement focussing on key areas of risk. Working with department heads to avoid underspend and possibly divert into other areas of priority. Information from FAB will be fed back to Committee. SA outlined that modelling is being done to outline some immediate impact of pay award to understand what potential grant funding we might have and what the budget gap looks like.</i></p>	
<b>41/22</b>	<p><b>7c Police Uplift Program Target</b></p> <p>It was reported that the monthly ARR group consider areas of uplift and intakes. Assurance was given that Force will meet the target in October and potentially go over target into next financial year. RS reported that previous target was missed by 12. 1006 applications for IPLDP received (target 850-900). Level of diversity increased to 10% (varies depending on entry route). Force in top quartile recruiting more than 50% females. Scheme to re-open later in the year.</p>	
<b>42/22</b>	<p><b>8a. Internal Audit</b></p> <p>EY provided an update and the progress report 2021/22 report to follow. Risk management audit will start in August. 22-23 collab audit plan discussed at last Regional CFO meeting and agreed 6 specific areas to review in appendix. Time has been set aside for other collaboration audits for first half of year. It was noted that only 2 out of 7 met KPIs. ML explained that the date noted is the final point of management comments – it needs to demonstrate that other conversations have happened in the meantime. AD assured the Committee feedback will be given on any issues if needed. Concern was expressed at the length of time taken to agree the report and the need to ensure assurance mechanism is being adhered to. AD assured the committee that conversations are ongoing to ensure accuracy of the report.</p>	
	<p><b>Procurement</b> – Committee expressed concerns about the report providing limited assurance with a significant number of recommendations at priority 2 – management responses seemed defensive and dismissive. SA assured that there were no</p>	

	<p>fundamental weaknesses and nothing that shows any contracts were awarded contrary to financial regs and that the process is not taken lightly.</p> <p>BM highlighted some detailed comments and agreed to send them to SA.</p> <p>RS commented that Force can assure that nothing has been procured illegally. Deadline December and support will be given to SA and JP to achieve this.</p> <p>AD added that this is not a reflection of procurement team who are forward looking and progressive and look for best route to market. All procurements go through rigorous procedure to ensure compliance. Assurance was given that adequate scrutiny is undertaken, and the Commissioner will not put her name on anything if she does not believe it is legally procured. SS thanked the team for the reassurance but confirmed that the committee were not assured by the report findings and that appropriate action would be taken as a consequence. Agreed that this will be followed up in January.</p> <p>ML agreed to work with SA and AD. Suggested that BM meeting with Mr Atkinson Head of Procurement then Mr Atkinson will attend future meeting in November.</p>	<p><b>BM to send comments to SA</b></p> <p><b>CB to arrange meeting between BM/R Atkinson</b></p> <p><b>R Atkinson to attend future meeting</b></p> <p><b>IA to follow up Jan 23</b></p>
	<p><b>Payroll</b> – significant assurance was taken by the Committee</p>	
	<p><b>Stock control report</b> – Comments from BM, LH, SS and JARAC members around there being no timescale on management response and quality of responses poor. JP outlined that some findings were expected prior to the audit and linked to the implementation of new stock management system. Confident can deliver system within Agresso. Existing internal controls are written to reflect this. SA added that the issues on transport audit was more about keeping proper inventory on vehicles. No issues on health and safety and provision of kit.</p> <p>BM commented on point 4.3 stocktakes not being used for accountancy purposes. SA responded that periodic stocktakes are completed through the year and stock management system provides accurate levels. RS outlined that work had been undertaken to ensure the correct kit is issues to officers for the role they have. Uniform system is not working well so other options being considered. Committee welcomed the introduction of stock management system and asked for an update in New Year to provide the required assurance.</p>	<p><b>Update to be tabled for New year</b></p>

	<p><b>IT Disaster Recovery report</b> - Committee enquired why this will not be completed prior to June 2023. SA confirmed that this is overseen by Mr Cariss in IS. There is an IT disaster recovery plan within the Business Continuity team and an adviser has been appointed. Further work to be done which is kept locally and stored on the Cloud. RS confirmed this has been tested in real terms. Committee requested evidence of frequency of testing.</p> <p>Committee requested quality of management responses improve. Staff shortages and demands on capacity were acknowledged. All were asked to encourage the persons providing the responses to ensure they are suitable for a third party.</p> <p>It was suggested that any reports the Committee do not feel assured by are sent back for the manager to re write.</p>	<p><b>RS to provide evidence of frequency of testing</b></p> <p><b>CB to arrange for R Cariss to attend the next meeting</b></p> <p><b>AD and SA to discuss further</b></p>
	<p><b>Wellbeing report</b> – same issues regarding quality of management responses. AD agreed to return to A Price and ask for it to be revised.</p>	<p><b>AD to discuss with A Price</b></p>
	<p>It was agreed to revise the tracker so have columns for: recommendation, responsible person, timescale and update. Ad and SA to be routinely copied into requests for updates</p>	<p><b>CB to copy AD and SA into requests for updates</b></p>
	<p><b>Complaints</b> – no update received</p>	
	<p><b>Fleet</b> – progress being made but not fully resolved. Hope to be signed off at next meeting. Responses unclear. SA commented that volatility with national framework has caused a delay although there is local strategy in place to cover gap.</p> <p>4.2 SA confirmed that telematics have been approved through design Board and is progressing. Delivery dates will be updated.</p> <p>4.3 – procuring process in respect of replacement vehicles – clarity needed. SA outlined that there is a separate procurement document addressing purchasing of vehicles. 4.3 can be marked complete and closed.</p> <p>4.5 Meetings are back in on a quarterly basis with finance rep in attendance. SA will ensure accurate responses are provided.</p> <p>Committee requested updated management responses for next meeting.</p>	<p><b>SA update Committee at next meeting</b></p> <p><b>CB to mark this item complete and remove from tracker</b></p>
	<p>A summary of the report was given. SA to ensure this is reflected properly in the Force AGS. Lack of quality of response to recommendations was highlighted by Committee. An inaccuracy was noted in the table on page 10. ML will amend this. AD</p>	

	<p>confirmed that payment is made on account and checked at end of year.</p> <p>It was highlighted that Mr Hoose had only attended the meeting once. <b>Post meeting note – Mr Hoose to attend September meeting.</b></p>	
<b>45/22</b>	<p><b>9a Complaints performance – Update on Meetings with IOPC</b></p> <p>Quarterly visits – next one August. Force have separate meetings with IOPC. Contactable on ad hoc basis. Committee were reassured and thanked MR for the update.</p>	
<b>46/22</b>	<p><b>9b. Annual Governance Statements</b></p> <p>SS suggested that these are revisited in light of discussions today and the internal audit report. Challenges around issues of capacity and whether there need to be something in governance and risk that flags capacity as an issue. SA agreed and advised that this is noted in the corporate risk register. It was agreed that alignment of the two AGSs will take place. AD outlined that work has commenced on financial handbook and C Radford will be joining the PCC as Deputy CFO along with MR and M Tilston who will provide peer reviews. BM is working with MR to review this. Force AGS 18.5 – it was confirmed that HMIC have completed a PEEL review. The report has not been issued but initial feedback has been provided by the Chief Officer and the PCC team.</p>	<p><b>SA to ensure relevant changes are made to AGS</b></p>
	<p>SS outlined it was hoped that the comments of the Committee were useful, and all understood that they were meant constructively, and their priority is to obtain assurance and appropriate action is taken to provide that assurance.</p>	



**JOINT AUDIT, RISK AND ASSURANCE COMMITTEE**

**REVIEW OF ACTIONS**

Agenda Item	Report Title and Action Required	Responsible Officer	Progress
<b>ACTIONS FROM MEETING ON 21 JULY 2022</b>			
34/22	<b>Forward Plan</b> – add annual audit letter to forward plan for September meeting	DB	Completed – DB
37/22	<b>Future Meeting dates</b> to be discussed and circulated	CB	Completed CB
42/22	<b>Internal Audit – procurement</b> – BM to send detailed comments to SA	BM	Confirmed as Completed by BM
42/22	BM to meet with Mr Atkinson to discuss procurement process	CB to arrange meeting	In Progress – Dates being decided
42/22	R Atkinson to attend future meeting	CB to invite to future meeting	Completed CB
42/22	<b>Stock control report</b> – to be tabled for update in New Year and added to relevant agenda	CB	Completed CB
42/22	<b>IT disaster recovery report</b> – RS to provide evidence of frequency of testing	RS	Papers provided in bundle
	R Cariss to be invited to next meeting	CB	Completed CB
	Any reports the Committee do not feel assured by will be sent back to the manager to re-write. AD and SA to discuss further	AD and SA	Completed by AD and SA checked by CB
	<b>Wellbeing Report</b> – AD to discuss quality of management responses with A Price	AD	Meeting happened 10am Friday 9 <sup>th</sup> September

43/22	<b>Internal Audit Recommendation Tracker</b> – agreed to copy requests for updates to AD and SA	CB	Noted by CB
	<b>Fleet</b> – 4.2 – update telematics delivery dates	SA	Completed by SA – End of December early January delivery date.
	4.3 Procurement process in respect of replacement vehicles – to be marked complete	CB	Completed by CB
46/22	<b>Annual Governance Statements</b> – SA to ensure relevant changes are made to Force AGS	SA	Completed by SA – assured CB changes has been made

**FORWARD PLAN 2022/23**

<b>SEPTEMBER 2022</b>		
	IA Progress Report	
	JARAC Annual Report	
	Financial Monitoring and Planning	
	Update on the Complaints Procedure – Jed Keen and Marie Romano	
	Fraud and Corruption Condensed version of the performance pack	
	Annual Audit Letter	
	Force Risk Register and Risk Management Strategy	
	IS Disaster Recovery – R Cariss to attend to update	
	OPCC Structure – closed session – AD	
<b>NOVEMBER 2022</b>		
	EA Report ISA 260	
	Draft Letters of Representation	
	Final PCC & CC Financial Statements	
	IA Progress Report	
	Force Risk Management	
	OPCC Risk Management	
	HMIC Activity	
	Financial Monitoring and Planning	
	Accounts sign off	
	Single Tender Waivers	
	Procurement Briefing – Rob Atkinson to attend	
	Work Force and Planning – PUP and ARR	

Agenda ITEM 5  
JARAC  
27 SEPTEMBER 2022

<b>JANUARY 2023</b>		
	Budget Setting Process and Assumptions	
	HMIC Value for Money	
	JARAC Member Self-Assessment (CIPFA Checklist)	
	Stock Control Report	
<b>MARCH 2023</b>		
	Internal Audit Progress Report and Confirmation of Internal Audit Opinion 2022/23	
	Strategy for IA and IA Plan 2022/24	
	HMIC Value for Money	
	Year End Accounting Arrangements & Accounting Policies 2022/23	
	Financial Monitoring and Planning	
	HMIC Activity	
	Complaints Performance – Update on meetings with IOPC Rep	
	Force Risk Management	
	OPCC Risk Management	

## **Derbyshire Police and Crime Commissioner & Derbyshire Chief Constable**

**JARAC**  
**16 September 2022**

### **Audit Progress update**

#### **Overview**

This brief paper seeks to update members of the JARAC on the progress of the audit of the 2020/21 Statement of Accounts and the audit planning for 2021/22.

#### **Financial statements audit – 2020/21**

Unfortunately, we have experienced some further delays in finalising the close out of the audit. However, we are near completion and will be signing the financial statements in week commencing 19 September.

Other than one additional uncorrected disclosure misstatement for c£1m in relation to pension benefits payable within the LGPS, we identified no further matters to bring to your attention.

We will issue our Auditor's Annual Report within 90 days of signing in line with the Audit Code of Practice. This document replaces the previous Annual Audit Letter that would have been presented in previous years and will provide this to management for review prior to being presented to JARAC in November 2022.

#### **2021/22 audit**

As communicated separately, the 2021/22 audit fieldwork has been provisionally scheduled for October through to December 2022, with sign off scheduled in the new year. However, this is contingent on being able to undertake planning procedures prior to then and being able to identify a new audit manager.

We have identified a new manager for the audit and are now looking to see if we can schedule in some planning procedures prior to starting the audit in Mid-October and will work with management to see if this is feasible alongside existing commitments. I will provide an update to the Committee on 27 September 2022.

**Police and Crime Commissioner  
and Chief Constable for  
Derbyshire Police**

**Audit results report**

Year ended 31 March 2021

September 2022 - Addition to 6A



Building a better  
working world



Private and Confidential

September 2022

Police and Crime Commissioner and Chief Constable for Derbyshire  
Butterley Hall  
Ripley  
Derbyshire  
DE5 3RS

Dear Members of the Joint Audit, Risk and Assurance Committee

**2020/21 Audit results report**

We are pleased to attach our final audit results report, which updates the previous version presented to the Joint Audit, Risk and Assurance Committee (JARAC) in May 2022. This report summarises our audit conclusion in relation to the audit of Police and Crime Commissioner and Chief Constable for Derbyshire Police for the year ended 31 March 2021. We have concluded our audit and confirm we will issue an unqualified opinion on 20 September 2022.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the PCC and CC's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the PCC, CC, JARAC, other members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

Encl

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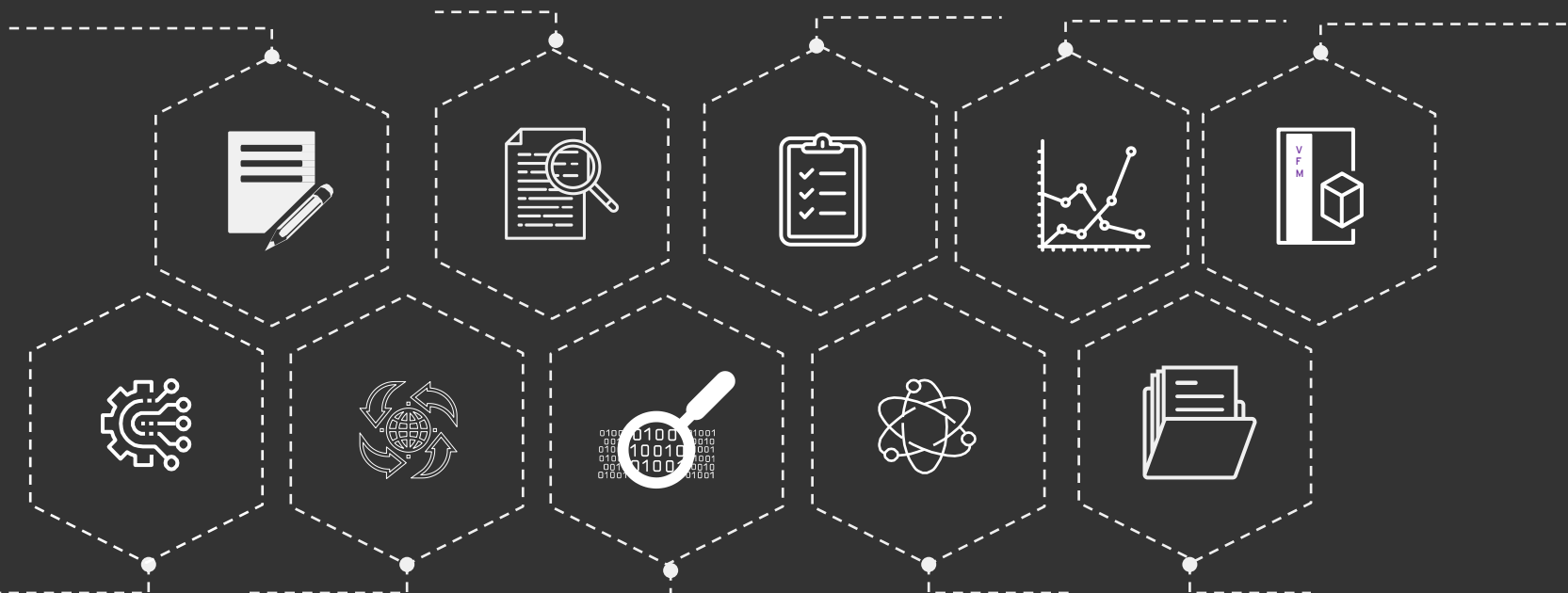
**01** Executive Summary

**02** Areas of Audit Focus

**03** Audit Report

**04** Audit Differences

**05** Value for Money



**06** Other Reporting Issues

**07** Assessment of Control Environment

**08** Data Analytics

**09** Independence

**10** Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Audit, Risk and Assurance Committee and management of the Police and Crime Commissioner and Chief Constable for Derbyshire in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit, Risk and Assurance Committee and management of the Police and Crime Commissioner and Chief Constable for Derbyshire those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Audit, Risk and Assurance Committee and management of the Police and Crime Commissioner and Chief Constable for Derbyshire for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





# 01 Executive Summary

# Executive Summary

## Scope update

In our audit planning report tabled at the 1 July 2021 Joint Audit, Risk and Assurance Committee (JARAC) meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ **Changes in materiality:** In our Audit Planning Report, we communicated our initial assessment of materiality. We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality basis, we have updated our overall materiality assessment as set out in the table below. This results in updated performance materiality, at 75% of overall materiality, and an updated threshold for reporting misstatements. There have been no changes to specific materiality set out in the Audit Planning Report.

	Materiality basis	Overall Materiality (million)	Performance Materiality (million)	Reporting Threshold (million)
Group	2% of the prior years gross expenditure on the surplus/deficit on provision of services less the one off pension past service costs	£6.4 (Audit Plan £6.3)	£4.8 (Audit Plan £4.7)	£0.3 (Audit Plan £0.3)
PCC single entity	2% of prior year assets	£2.0 (Audit Plan £1.9)	£1.5 (Audit Plan £1.4)	£0.1 (Audit Plan £0.1)
CC single entity	2% of the prior year gross expenditure on the surplus/deficit on provision of services less the one off pension past service costs and intra-group funding	£6.2 (Audit Plan £6.1)	£4.7 (Audit Plan £4.6)	£0.3 (Audit Plan £0.3)

- ▶ **Changes to our risk assessment:** We have identified the following changes in our risk assessment since the presentation of our Audit Planning Report:
  - ▶ **Risk of fraud in revenue recognition - Understatement of other income:** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on the completeness of other income (including fees and charges and other service income), where management may seek to move income from 2020/21 into 2021/22.
  - ▶ **Risk of fraud in expenditure recognition - Inappropriate capitalisation of expenditure:** As set out above, under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider that this risk is more prevalent over the medium term and is likely to occur through the capitalisation of expenditure that should be accounted for in the Comprehensive Income and Expenditure Statement (CIES).
  - ▶ **Valuation of the Police Pension Scheme liability (CC):** We have increased our risk assessment from a higher inherent risk to a significant risk. This is due to initial findings by PwC as the NAO specialists for assessing Local Government consulting actuaries identifying that the CPI assumption adopted by the Government Actuaries Department (GAD) was outside of the expected range.

# Executive Summary

## Scope of the audit (continued)

**Additional audit procedures as a result of Covid-19:** Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

- ▶ **Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:
  - ▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
  - ▶ Agree IPE to scanned documents or other system screenshots.

## Status of the audit

Our audit work in respect of the audit of Police and Crime Commissioner for Derbyshire and Chief Constable for Derbyshire financial statements for the year ended 31 March 2021 is complete.

Once we have received the signed financial statements, letters of representation and confirmation of subsequent events, we anticipate issuing an unqualified opinion on the financial statements in the form which appears at Section 3.

## Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the PCC and CC (together the 'Authority') have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability  
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

# Executive Summary

## Status of the audit - Value for Money

We have completed our planned VFM procedures, no significant weakness in arrangements were identified for the PCC and CC and have no matters to report by exception in the auditor's report (see Section 3).

We will report the outcome of our work on the Authority's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you formally that the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts. We will then also be able to certify completion of the audit at that time.

## Audit differences

We have identified two audit differences in the draft financial statements. These are detailed in section 4. There are also two audit differences relating to the prior year that have a turnaround impact on the current year. These are also shown in section 4.

We ask that they be corrected or a rationale as to why they are not corrected be approved by the Joint Audit, Risk and Assurance Committee meeting and included in the Letter of Representation.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Police and Crime Commissioner and Chief Constable for Derbyshire Police. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, we do expect, based on prior year guidance, that to the audit of Derby Police and Crime Commissioner and Chief Constable for Derbyshire Police would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

We have no other matters to report.

## Control observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to your significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements, and which is unknown to you. However, we have set out followed up observations raised in the prior year in section 7 of this report.

## Independence

Please refer to Section 9 for our update on Independence.

# Executive Summary

## Areas of audit focus

This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in section 2 of this report.

Area of Audit Focus	Findings & Conclusions
<b>Fraud risk:</b> Misstatements due to fraud or error	We have completed our work in this area and have no matters to report.
<b>Fraud risk:</b> Risk of fraud in revenue recognition - Understatement of other income	We have completed our work in this area and have no matters to report.
<b>Fraud risk:</b> Risk of fraud in expenditure recognition - Inappropriate capitalisation of expenditure	We have completed our work in this area and have no matters to report.
<b>Significant risk:</b> Valuation of Police Pension Scheme Liability	We have completed our work in this area and have no matters to report.
<b>Higher inherent risk:</b> Pension Liability valuation - Local government pension scheme (LGPS)	We have completed our work in this area and have no matters to report.
<b>Higher inherent risk:</b> Accounting for PFI	We have completed our work in this area and have no matters to report.
<b>Higher inherent risk:</b> Valuation of Property, Plant and Equipment	We have completed our work in this area and have no matters to report.
<b>Higher inherent risk:</b> Collaborative arrangements	We have completed our work in this area and have no matters to report.
<b>Other matters:</b> Going Concern Disclosures	We have completed our work in this area and have no matters to report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit, Risk and Assurance Committee.



02

## Areas of Audit Focus



# Areas of Audit Focus – Significant risks

## Misstatements due to fraud or error (PCC and CC)

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We did not identify any specific fraud risks in our planning. We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

### What judgements are we focused on?

The risk manifests specifically in whether year-end adjustment journals are appropriate and supported, the application of estimates and judgements, and whether significant or unusual transactions are identified and accounted for appropriately.

We focus on judgements made which effect the recording of transactions within the general ledger, particularly around journal entries.

The most significant estimates in the financial statements relate to the valuation of defined benefit pension schemes (Police and LGPS) and the valuation of certain types of Property, Plant and Equipment (being land and buildings). These estimates have been identified as separate risks within section 2 of this report.

### What did we do?

- ▶ At the planning stage we identified the areas of the statements that were more susceptible to fraud, and we remained alert throughout the course of the audit for where this assessment may have changed. We did not identify any previously unidentified areas of risk (that are not linked to the presumed risk of fraud in revenue and expenditure recognition covered separately).
- ▶ We inquired of management about where risks of fraud could exist and the controls that have been put in place to address those risks; considering the effectiveness of controls designed to address the risks. We also understood the oversight given by those charged with governance of management's processes in this area.
- ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- ▶ We performed substantive testing of journals that met specific risk criteria in order to understand their purpose and appropriateness, and we reviewed and tested accounting estimates for evidence of management bias, including those related to pensions and asset valuations.
- ▶ We considered the existence of significant unusual transactions during the year. We did not identify any that would meet the criteria for review.
- ▶ We considered whether the results of testing relating to revenue and expenditure recognition indicated management override of controls, and we tested a sample of Property Plant and Equipment additions to confirm that the expenditure has been appropriately capitalised.

### What are our conclusions?

Based on the procedures performed:

- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- Our testing of journals found the items in our risk based sample to be appropriately supported and correctly entered into the general ledger.
- Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates.
- We did not identify any transactions during our audit which appeared unusual or outside the normal course of business.



## Areas of Audit Focus – Significant risks

### Risk of fraud in revenue recognition - Understatement of other income (CC)

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on the completeness of other income (including fees and charges and other service income), where management may seek to move income from 2020/21 into 2021/22.

#### What judgements are we focused on?

We focus on judgements that could be influenced by management decisions and bias. Specifically we have focused on any judgement made by management in relation to the financial year other income has been recognised in, with a specific focus on 2020/21 income recognised or moved into the 2021/22 financial year.

#### What did we do?

We have:

- ▶ Reviewed and discussed with management any accounting estimates or judgements on income recognition for evidence of bias;
- ▶ Performed overall analytical review procedures to identify any unusual movements or trends for further investigation;
- ▶ Used our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those that manually moved income into the next year;
- ▶ Performed debtor cut-off testing, with a focus on amounts recorded post year end in 2021/22.

#### What are our conclusions?

Based on the procedures performed, our testing has not identified any material misstatements in relation to the recognition of other income.





## Areas of Audit Focus – Significant risks

### Risk of fraud in expenditure recognition - Inappropriate capitalisation of expenditure (PCC and CC)

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider that this risk is more prevalent over the medium term and is likely to occur through the capitalisation of expenditure that should be accounted for in the CIES given the extent of the Authority's capital programme. We consider this to impact on the valuation of PPE balances.

#### What judgements are we focused on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

#### What did we do?

We have:

- ▶ Reviewed and discussed with management any accounting estimates on capital expenditure recognition for evidence of bias;
- ▶ Used our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that moved expenditure to PPE balance sheet general ledger codes; and
- ▶ Performed sample testing on additions to PPE to ensure that they had been correctly classified as capital and included at the correct value to identify any expenditure items that had been inappropriately capitalised.

#### What are our conclusions?

Based on the procedures performed, our testing has not identified any material misstatements from expenditure recognition, specifically in relation to the risk of inappropriate capitalisation of expenditure.



## Areas of Audit Focus – Significant risks

### Valuation of the Police Pension Scheme liability (CC)

#### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Police Pension Scheme administered and underwritten by HM Government. The CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheet. At 31 March 2021 this totalled £2,317.9 million. The accounting entries are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. A small movement in these assumptions could have a material impact on the value in the balance sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and assumptions underlying these estimates.

We have increased our risk assessment from a higher inherent risk to a significant risk. This is due to initial findings by PwC as the NAO specialists for assessing Local Government consulting actuaries identifying that the CPI assumption adopted by the Government Actuaries Department (GAD) was outside of the expected range.

#### What judgements are we focused on?

We have focused on the following areas, which are consistent with those of management:

- ▶ The reasonableness of the underlying assumptions used by the Authority's expert, GAD.
- ▶ Ensuring the information supplied to the actuary in relation to the Authority was complete and accurate.
- ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from the actuary.

#### What did we do?

- ▶ Assessed the work of the actuary (GAD) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team;
- ▶ Reviewed and tested the accounting entries and disclosures made within the financial statements in relation to IAS19;
- ▶ Gained assurance over data that has been provided to the actuaries;
- ▶ Tested a sample of lump sums and pension payments for new police pensioners;
- ▶ Completed a predictive analytical review for both the pensions payroll and employees and employers pension contributions; and
- ▶ Assessed management's arrangements to reconcile the active and pensioner membership numbers.

Our findings have been set out on the next page.



## Areas of Audit Focus – Significant risks

### Valuation of the Police Pension Scheme liability (continued) (CC)

#### What did we do?

PwC highlight that the CPI inflation assumption proposed by GAD has not been derived using a robust methodology and that the methodology used does not appear to be consistent with the accounting standard. As a result, we have performed additional procedures involving our EY pensions specialists to consider the CPI assumption. The conclusions from this work is that the CPI inflation assumption is overly optimistic, and the methodology used to derive the assumption is not robust and it is inconsistent with the accounting standard. However, there is sufficient flexibility in the discount rate to offset this optimism.

During the audit, we were notified of an issue that has arisen across all local government audits in relation to the impact of the new accounting estimates auditing standard on planned procedures. Our planned approach to test this estimate was based on procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.

Neither we, nor PwC as consulting actuaries commissioned by the NAO for all local government audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, in order to gain sufficient appropriate assurance through the use of our EY internal Pensions Specialists.

Our EY pension specialists have been able to independently reconcile our roll forward with the figures produced by the actuary as at the disclosure date to a difference of less than 2% of the figure for the liabilities. However, this equates to £47m. The value of the pension scheme liability when compared to the materiality applied for the purposes of the audit means that there is a high degree of sensitivity involved in the calculation of the liability.

#### What are our conclusions?

Based on the procedures performed, our testing has not identified any material misstatements in the valuation of Police Pension Scheme Liability.

In our view, the CPI inflation assumption is overly optimistic and the methodology used to derive the assumption is not robust and it is inconsistent with the accounting standard. However, there is sufficient flexibility in the discount rate to offset this optimism. We recommend that CPI inflation rate is monitored to ensure it is reasonable.

We have been able to independently reconcile our roll forward with the figures produced by the actuary as at the disclosure date to a difference of less than 2% of the figure for the liabilities. The financial statements include sufficient disclosures in respect of the sensitivity involved in the calculation of pension balances.



# Areas of Audit Focus - Higher inherent risks and other areas of audit focus

## Valuation of the Local Government Pension Scheme (CC)

### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Derbyshire County Council. The CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheet of the CC. At 31 March 2021 this totalled £175.4 million. The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Fund total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and assumptions underlying these estimates.

### What judgements are we focused on?

We have focused on the following areas, which are consistent with those of management:

- ▶ The reasonableness of the underlying assumptions used by the Authority's expert, Hyman Robertson.
- ▶ Ensuring the information supplied to the actuary in relation to

the Authority was complete and accurate.

- ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from the actuary.
- ▶ The valuation of the scheme assets.

### What did we do?

- ▶ Liaised with the auditors of the Derbyshire Pension Fund, Mazars, to obtain assurances over the information supplied to the actuary in relation to the Authority and their work over the valuation of the pension fund's assets.
- ▶ Assessed the work of the Pension Fund actuary (Hyman Robertson) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. The assumptions used by the actuary have been reviewed by both PwC and our EY actuarial team who have both concluded that the assumptions and methodology used are considered to be appropriate.
- ▶ Considered the reasonableness of the actuary's estimate of the asset returns applied in rolling forward the asset position from the prior year.
- ▶ Reviewed and tested the accounting entries and disclosures

made within the Council's financial statements in relation to IAS19 - no issues have been noted.

Consistent with our reporting of the Police Pension Scheme our EY pension specialists have been able to independently reconcile the liability roll forward with the figures produced by the actuary to a difference of less than 2%. However, this equates to £8.3m. The value of the pension scheme liability when compared to the materiality applied for the purposes of the audit means that there is a high degree of sensitivity involved in the calculation of the liability.

In calculating the scheme assets as at 31 March 2021 the actuary performs a roll forward technique using investment returns and cash flow data since the last triennial. We have considered the reported asset position and note that the actuary have used the actual investment returns as at 31 March 2021. An updated asset return was reported by the fund in April 2021 for which the impact was a reduction in asset values of £5.5m. The Authority's share of this was below the reporting threshold.

### What are our conclusions?

Assumptions used by the actuary and adopted by the Authority are considered to be generally acceptable.

Based on the procedures performed, our testing has not identified any material misstatements in valuation of the Local Government Pension Scheme Liability.

We have been able to independently reconcile our roll forward with the figures produced by the actuary as at the disclosure date to a difference of less than 2% of the figure for the liabilities. The financial statements include sufficient disclosures in respect of the sensitivity involved in the calculation of pension balances.



# Areas of Audit Focus - Higher inherent risks and other areas of audit focus

## Valuation of Land and Buildings (PCC)

### What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the entity's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The PCC will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment. As the PCC's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/ overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What judgements are we focused on?

We have focused on the following judgements:

- ▶ The appropriateness of the valuation method applied and of key inputs into the valuation calculations performed in the year.
- ▶ The consideration of whether assets not formally revalued at the balance sheet date remain free from material misstatement.
- ▶ The useful economic lives assigned to individual land and building assets.

### What did we do?

We have:

- ▶ Considered the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

### What are our conclusions?

Based on the procedures performed, our testing has not identified any material misstatements in relation to the valuation of land and buildings.



# Areas of Audit Focus - Higher inherent risks and other areas of audit focus

## Group Financial Statements (PCC)

### What is the risk and what judgements are we focused on?

The PCC prepares group accounts which incorporate the activities of the DPFP LLP which is a joint venture with Derbyshire Fire and Rescue Authority used to provide both organisations with a joint headquarters and joint training centre. The Authority currently has a 57.16% share of the net assets of the DPFP LLP. The Group Accounts have been produced using the equity method to reflect the nature of the partnership.

The DPFP LLP financial statements are currently not subject to audit. Therefore, we are required to undertake procedures on the balances and disclosures associated with the LLP to ensure that the group financial statements are not materially misstated.

There is a risk of misstatement that the accounting treatment of the joint service arrangements are not in accordance with the relevant accounting standard in the financial statements.

### What judgements are we focused on?

We are focused on any judgements applied by management on the consolidation of the joint venture into the financial statements, as well as considering the valuation of the buildings included in the joint venture.

### What did we do?

We have:

- ▶ Updated our understanding of the joint service agreements to understand the nature and responsibilities for both the Authority and the Police and Crime Commissioner and Chief Constable for Derbyshire.
- ▶ Reviewed management's assessment of the required accounting treatment in the Financial Statements.
- ▶ Tested the accounting entries and disclosures to confirm that the correct accounting standard has been applied.
- ▶ Ensured that we have gained assurance over any balances included within the DPFP LLP accounts which are material to the entity's Group Financial Statements. This has included testing the valuation of the buildings held by the joint venture.

### What are our conclusions?

Based on the procedures performed, our testing has not identified any material misstatements or matters that we need to report to the JARAC in relation to the preparation of the group financial statements.

The PCC has decided to apply a small audit exemption to the LLP financial statements. Therefore the LLP accounts are unaudited and in order to gain assurance over the transactions within the Group accounts we have . Therefore, we have undertaken direct testing of transactions covering income, expenditure, assets and liabilities.

Our work concluded that the equity method of accounting by the PCC of the LLP transactions is appropriate and in line with the CIPFA code of Practice for joint venture accounting.

We did not find any material misstatements from our review of LLP transactions and in regard to the valuation of the LLP joint Headquarters and Training Centre



# Areas of Audit Focus - Higher inherent risks and other areas of audit focus

## Accounting for the PFI Schemes (PCC)

### What is the risk and what judgements are we focussed on?

The PCC has two PFI schemes which include several judgements made by management resulting in the accounting treatment shown in the financial statements. The arrangements are supported by complex models to calculate the figures to be included in the financial statements each year.

### What judgements are we focused on?

We are focused on any judgements applied by management in the accounting for the PFI schemes, including judgements made in relation to any changes in the model or contracts during the year.

### What did we do?

We have:

- ▶ Reviewed the accounting judgements and models to ensure that we are comfortable with the judgements and related accounting treatment in the financial statements.
- ▶ For each of the schemes, undertaken testing of in-year inputs to the accounting models and agree relevant entries in the financial statements to year-end outputs from each of the models.
- ▶ Reviewed associated disclosures within the financial statements to confirm they meet Code requirements and are reflective of supporting documentation.

### What are our conclusions?

Based on the procedures performed, we have not identified any significant issues in our testing. We have not identified any changes in the PFI contracts impacting the models used by management in accounting for the PFI schemes.



# Areas of Audit Focus - Higher inherent risks and other areas of audit focus

## Collaborative Arrangements (CC)

### What is the risk and what judgements are we focused on?

The CC participate in a number of Jointly Controlled Operations (JCO) or Collaborations with other East Midlands Forces. These are used to deliver services within the Force. The share of cost to Derbyshire is different depending on the number partaking in the JCO. There is also combination of JCO's being hosted by either Leicestershire or Derbyshire.

Given the volume of transactions being accounted for across the 5 Forces that participate across the JCO's and their value, we consider there to be a risk associated with the accuracy of the information being reported and accounted for (i.e. the measurement/valuation, completeness and presentation and disclosure of balances included in the financial statements).

### What judgements are we focused on?

We are focused on any judgements applied by management in the accounting for the collaboration balances.

### What did we do?

We have:

- ▶ Reviewed the underlying allocation of expenditure in the CC's own accounts against agreements in place.
- ▶ Considered the completeness of the reported balances within the financial statements.
- ▶ Sought assurance from the external auditors at Leicestershire Chief Constable on:
  - ▶ The processes in place to record and transact balances for other Forces.
  - ▶ Confirmation of the balances recorded and reported for Derbyshire Chief Constable.
  - ▶ How assurances have been gained that balances for each Force have been recorded completely and accurately within the finance system.

### What are our conclusions?

Based on the procedures performed in our testing, we have not identified any significant issues in our testing.

Assurances from the Leicester Chief Constable auditor have not identified any issues or matters to report.





## Other areas of Audit Focus

### What is the risk/area of focus?

#### Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for Police and Crime Commissioner and Chief Constable for Derbyshire Police is the audit of the 2020/21 financial statements.

The revised standard increases the work we are required to perform when assessing whether the Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Joint Audit, Risk and Assurance Committee meeting.

The CIPFA Guidance Notes for Practitioners states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

### What we did

To meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Authority's going concern assessment and its disclosure in the accounts, we have:

- ▶ Challenged management's identification of events or conditions impacting going concern;
- ▶ Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias);
- ▶ Reviewed the Authority's cashflow forecast covering the going concern period, to ensure that it has sufficient liquidity to continue to operate as a going concern;
- ▶ Undertaken a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory;
- ▶ Challenged the disclosure made in the accounts in respect of going concern.

We have concluded our work in this area and have obtained the PCC, CC management assessment, disclosures and cashflow forecasts for the period at least twelve months from the date the accounts are authorised for issue. Our work has not identified a significant risk of material uncertainties in the continuity of service provision.



## 03 Audit Report



# Draft Audit Report - Police and Crime Commissioner and Group

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

#### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Derbyshire for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner and Group Movement in Reserves Statement;
- Police and Crime Commissioner and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner and Group Balance Sheet;
- Police and Crime Commissioner and Group Cash Flow Statement;
- Police and Crime Commissioner and Group Statement of Accounting Policies;
- Related notes 1 to 31; and
- Police and Crime Commissioner Police Pension Fund Account and related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Derbyshire and the Group as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared properly in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police and Crime Commissioner for Derbyshire and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's (the 'Chief Operating Officer & s151 Officer') use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner and the Group's ability to continue as a going concern for a period to the end of September 2023.

Our responsibilities and the responsibilities of the Chief Operating Officer & s151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Police and Crime Commissioner and the Group's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Chief Operating Officer & s151 Officer is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;



# Draft Audit Report - Police and Crime Commissioner and Group

## Our opinion on the financial statements

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Police and Crime Commissioner and the Group have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

### Responsibility of the Chief Operating Officer & s151 Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 11, the Chief Operating Officer & s151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the Chief Operating Officer & s151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating Officer & s151 Officer is responsible for assessing the Police and Crime Commissioner's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police and Crime Commissioner and the Group either intend to cease operations, or have no realistic alternative but to do so.

The Police and Crime Commissioner and the Group are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the Group and determined that the most significant are:
  - Local Government Act 1972,
  - Local Government Act 2003,
  - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
  - The Local Audit and Accountability Act 2014,
  - The Accounts and Audit Regulations 2015,
  - The Police Reform and Social Responsibility Act 2011,
  - Anti-social behaviour, Police and Crime Act 2014,
  - Police Pensions scheme regulations 1987,
  - Police Pensions regulations 2006; and
  - Police Pensions regulations 2015.

In addition, the Police and Crime Commissioner and the Group have to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- We understood how the Police and Crime Commissioner and the Group are complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring management, internal audit, those charged with governance and the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of committee minutes, through enquiry of employees to confirm policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to



# Draft Audit Report - Police and Crime Commissioner and Group

## Our opinion on the financial statements

identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the Police and Crime Commissioner's and the Group's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue in relation to the understatement of other income), inappropriate capitalisation of expenditure and management override of controls to be our fraud risks.
- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue (via the understatement of other income), we performed sample testing over other income, challenging assumptions and corroborating the income to appropriate evidence. We also performed procedures to test that income had been recognised in the correct financial year and included specific risk criteria in our journals testing to test the correct recognition of income via manual journals.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. We also included specific risk criteria in our journals testing to test manual journals specifically moving expenditure to property, plant and equipment additions.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2021, as to whether the Police and Crime Commissioner and the Group

had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner and the Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner and the Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's and the Group's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner for Derbyshire and the Group's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to Police and Crime Commissioner for Derbyshire and the Group, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Derbyshire and the Group, for our audit work, for this report, or for the opinions we have formed.



# Draft Audit Report - Chief Constable

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR DERBYSHIRE

#### Opinion

We have audited the financial statements of the Chief Constable for Derbyshire for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement for the Chief Constable;
- Balance Sheet for the Chief Constable;
- Movement in Reserves Statement of the Chief Constable;
- Cashflow of the Chief Constable;
- the related notes 1 to 19;
- Statement of Accounting Policies; and
- Chief Constable for Derbyshire Police Pension Fund Account and related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Derbyshire as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Chief Constable for Derbyshire in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Joint Director of Finance and Business Services' (the 'Chief Financial Officer') use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period to the end of September 2023.

Our responsibilities and the responsibilities of the Joint Director of Finance and Business Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Chief Constable's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Joint Director of Finance and Business Services is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;



# Draft Audit Report - Chief Constable

## Our opinion on the financial statements

- we are not satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

### Responsibilities of the Joint Director of Finance and Business Services

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 15, the Joint Director of Finance and Business Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the Joint Director of Finance and Business Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Director of Finance and Business Services is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or has no realistic alternative but to do so.

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are

capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:
  - Local Government Act 1972,
  - Local Government Act 2003,
  - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
  - The Local Audit and Accountability Act 2014,
  - The Accounts and Audit Regulations 2015,
  - The Police Reform and Social Responsibility Act 2011,
  - Anti-social behaviour, Police and Crime Act 2014,
  - Police Pensions scheme regulations 1987,
  - Police Pensions regulations 2006; and
  - Police Pensions regulations 2015.

In addition, the Chief Constable has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- We understood how Chief Constable is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit, those charged with governance and the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of committee minutes, through enquiry of employees to confirm policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue in relation to other income), inappropriate capitalisation of expenditure and management override of controls to be our fraud risks.
- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue (via the understatement of other income, we performed sample testing over other income, challenging assumptions and



# Draft Audit Report - Chief Constable

## Our opinion on the financial statements

corroborating the income to appropriate evidence. We also performed procedures to test that income had been recognised in the correct financial year and included specific risk criteria in our journals testing to test the correct recognition of income via manual journals.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. We also included specific risk criteria in our journals testing to test manual journals specifically moving expenditure to property, plant and equipment additions.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2021, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable for Derbyshire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Chief Constable for Derbyshire's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the Chief Constable for Derbyshire, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for Derbyshire, for our audit work, for this report, or for the opinions we have formed.

Hayley Clark (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Birmingham

Date:





# 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of unadjusted differences

We highlight the misstatements to the financial statements which were not corrected by management on the next page. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Audit, Risk and Assurance Committee and provided within the Letter of Representation.

These misstatements were identified in our testing of balances within the CC financial statements. They are also relevant to the Group financial statements of the PCC. We did not identify any misstatements in our audit of the PCC standalone balances.

There are no other amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2021.

## Uncorrected misstatements in the statement of cash flows

The misstatements on the next page will have an impact on the relevant lines in the operating cash flows section of the cash flow statement, but do not have an impact on the overall cash position.

## Uncorrected disclosure misstatements

We have identified the following disclosure misstatement which impacts disclosures in the current and prior financial year within the Group financial statements and those of the Chief Constable.

The pension benefits paid reported by the Pension Fund Auditor is different to the amount used by the actuary by £1,262k (prior year £890k). The net impact on the pension liability is nil, but within the disclosure there would be a gross impact on both the liability and asset reporting.



# Audit Differences

Uncorrected misstatements 31 March 2021 (Group and CC) (Currency'000)		Effect on the current period:		Net assets (Decrease)/Increase			
		OCI Debit/ (Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
<b>Errors</b>							
<b>Known differences:</b>							
A sales invoice tested stated that the service related to 01/06/20 - 31/05/21. The amount that relates to FY21/22 has not been correctly accounted for.							
<ul style="list-style-type: none"> <li>▸ Prepayment</li> <li>▸ Other services expenditure</li> </ul>			(218)	218			
<b>Projected differences:</b>							
A sales invoice tested stated that the service related to 05/11/20 - 05/05/21. The amount that relates to FY21/22 has not been correctly accounted for. The misstatement amounted to £1,200.73 but as this was a representative sample item this was then extrapolated to the amount shown							
<ul style="list-style-type: none"> <li>▸ Prepayment</li> <li>▸ Other services expenditure</li> </ul>			(491)	491			
<b>Balance sheet totals</b>				709			
<b>Income effect of uncorrected misstatements (before tax)</b>			(709)				
<b>Less: tax effect at current year marginal rate</b>			-				
<b>Cumulative effect of uncorrected misstatements before turnaround effect</b>			(709)				
<b>Turnaround effect. See Note 1 below.</b>	(387)	389					
<b>Cumulative effect of uncorrected misstatements, after turnaround effect - (£707,000)</b>	(387)	(320)					

**Note 1:**turnaround effect is the impact of uncorrected misstatements identified in prior period, on results of the current period.



05

## Value for Money



# Value for money

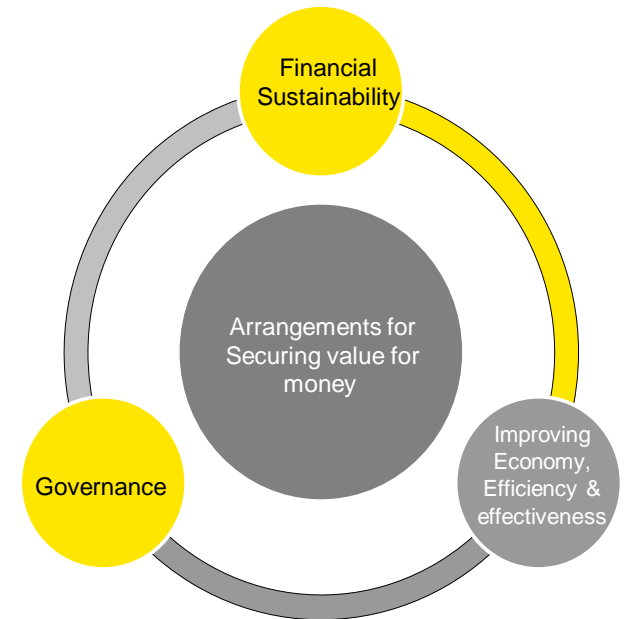
## The PCC and CC's responsibilities for value for money (VFM)

The PCC and CC is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the PCC and CC is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the PCC and CC tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Status

We have completed our planned procedures, no significant weakness in arrangements were identified for the PCC and CC. We will report the outcome of our work on the Authority's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you formally that the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts. We will then also be able to certify completion of the audit at that time.





## 06 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors.

We cannot issue our Audit Certificate until these procedures are complete.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit, Risk and Assurance Committee meeting.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to your significant deficiencies in internal control.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware for the current year audit.

However, we wish to report the update on the control deficiency communicated to you in last year audit result report.

## Status of previous year's recommendations

Description	Update
Property valuations are performed on the 1 April each year. The CIPFA Code requires the accounts to consider the valuation as the balance sheet date. We recommend that management amend their valuation date to 31 March (i.e. the balance sheet date) so that the most up to date position is provided in the financial statements. This would also lead to a more efficient process as an additional roll forward from the start to the end of the year would not be needed for those assets revalued during the financial year.	The valuations undertaken in 2020/21 comprise a desktop review, and therefore a full valuation has not been undertaken. As such, the finding identified in the prior year cannot be fully evaluated. However, the desktop review has been undertaken as at 31 March 2021.



# 08 Data Analytics



# Use of Data Analytics in the Audit

## **Analytics Driven Audit**

### **Data analytics**

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### **Journal Entry Analysis**

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

#### **Payroll Analysis**

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



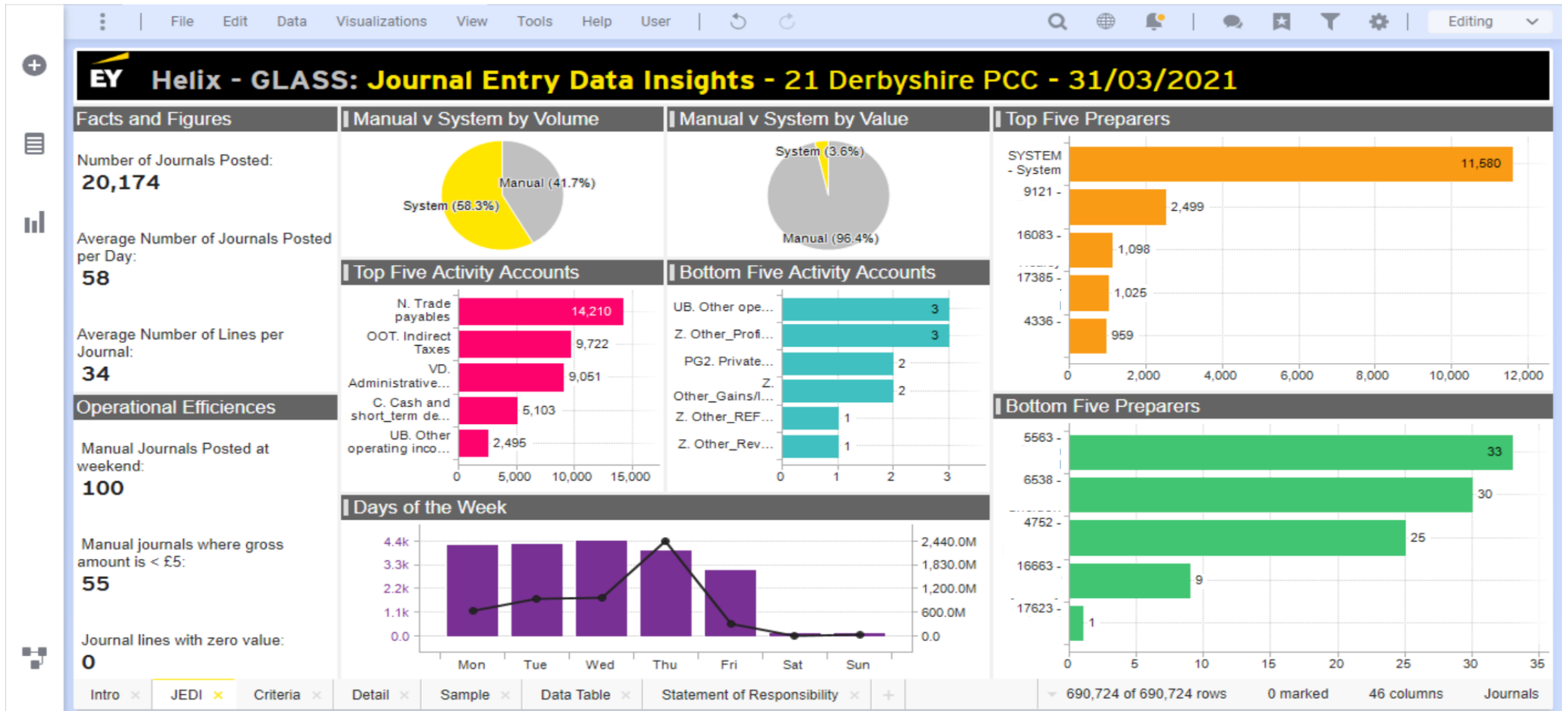
# Data Analytics

## Journal Entry Testing

The graphic outlined below summarises the journal population for 2020/21. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

21 Derbyshire PCC - GLASS - P1 to P14.dxp - TIBCO Spotfire





# Data Analytics

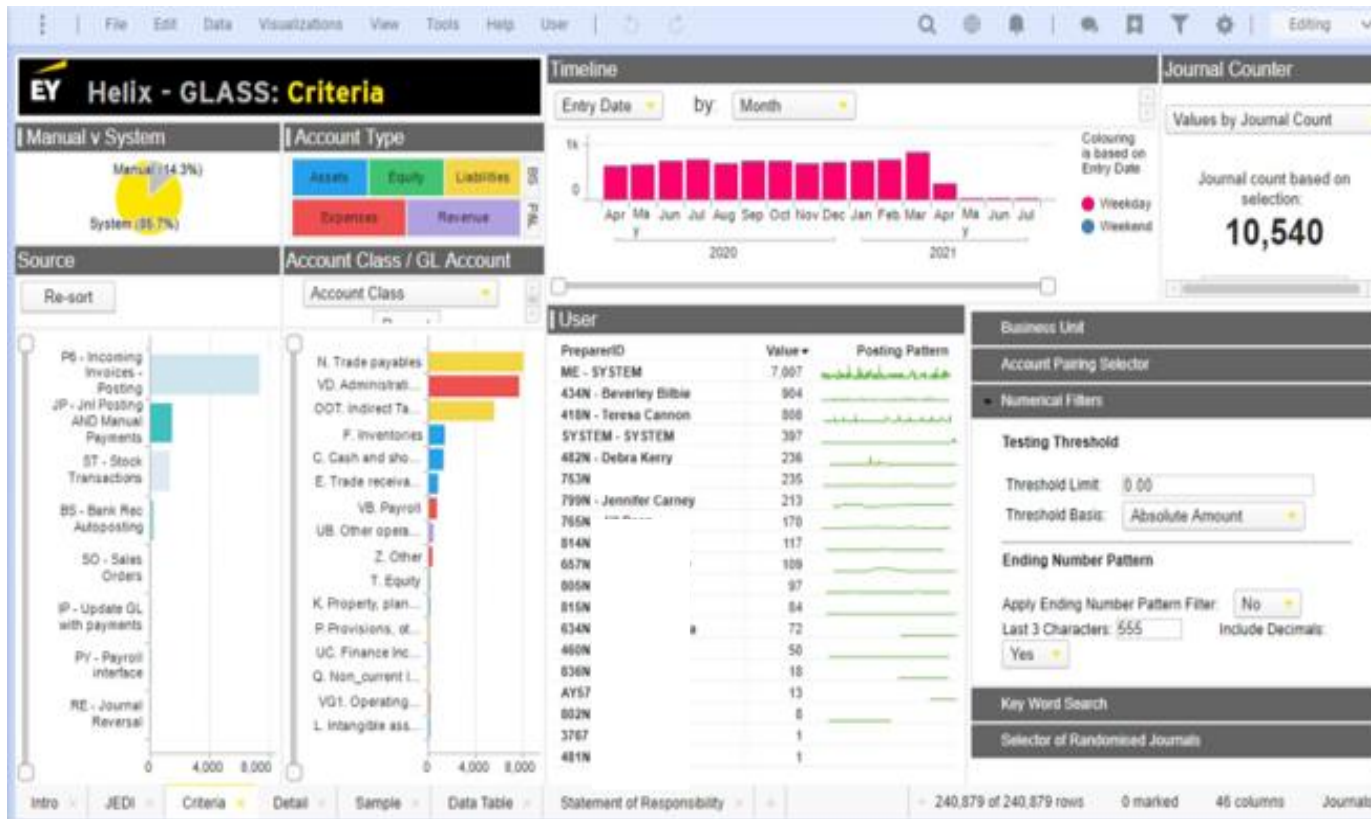
## What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

## What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

## Journal entry data criteria – 31 March 2021



## What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

## What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 1 July 2021.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this with you.

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

### Audit fees

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2021.

We confirm that we have not undertaken any non-audit work.

Description	Final Fee 2019/20 £	Fee 2020/21 £
Audit Fee - Code work - Scale fee (1)	35,447	35,447
Audit Fee - Code work - Scale fee variation (2)	21,148	TBC
Total Audit Fee - Code work (3)	56,595	TBC
Total non-audit services	Nil	Nil

1) Scale fee is split between the PCC (£23,897) and CC (£11,550).

2) We have identified and reported areas where additional audit work has been required over and above the level of the scale fee previously set which corresponded to the risks set out in our audit plan and the implications of operating using a lower level of materiality. The identified areas are:

- Group Accounts;
- Collaborative arrangements;
- PPE valuations (use of specialists) & other estimates;
- PFI;
- Pensions valuations; and
- Value for Money.

We will discuss these additional costs with management and provided indicative fee levels for each of these areas. We will report the final levels to you upon conclusion of our work and agreement with management.

PSAA have released a communication (August 2021) on 2020/21 external audit fees. This includes a minimum £6,000 - £11,000 in relation to additional VFM requirements and a minimum of £2,500 in relation to additional procedures required in relation to ISA 540 (Auditing accounting estimates).

All scale fee variations are subject to approval from PSAA Ltd.

3) As per the Redmond Report, local government external audit fees have not kept pace with regulatory change. We believe that changes in the work required to address professional and regulatory requirements and scope changes associated with the risk of the organisation mean that the scale fee for the Group should more realistically be set at a level of £93k. The scale fee is set by PSAA Limited.

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## Other communications

### EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is available here: [EY UK 2021 Transparency Report | EY UK](#)







A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background shows the perforated metal of the cabinet shelves.

# 10 Appendices




## Appendix A

# Required communications with the Joint Audit, Risk and Assurance Committee meeting




There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
 Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Joint Audit, Risk and Assurance Committee meeting of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report dated 21 June 2021	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report dated 21 June 2021	
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report May 2022 and September 2022	

## Appendix A

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit results report May 2022 and September 2022
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report May 2022 and September 2022
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Joint Audit, Risk and Assurance Committee meeting where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit results report May 2022 and September 2022
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Joint Audit, Risk and Assurance Committee meeting to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Joint Audit, Risk and Assurance Committee meeting responsibility.</li> </ul>	Audit results report May 2022 and September 2022

## Appendix A

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Related parties	<p>Significant matters arising during the audit in connection with the Constabulary's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit results report May 2022 and September 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report dated 21 June 2021 and Audit results report May 2022 and September 2022
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Joint Audit, Risk and Assurance Committee meeting into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Audit, Risk and Assurance Committee meeting may be aware of</li> </ul>	We have not identified any material instances or non-compliance with laws and regulations.

# Appendix A


		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report May 2022 and September 2022
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit planning report dated 21 June 2021 and Audit results report May 2022 and September 2022
Written representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report May 2022 and September 2022. The draft letters of representation for both the Police and Crime Commissioner and Group, and the Chief Constable have been prepared and provided separately to management.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report May 2022 and September 2022
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report May 2022 and September 2022
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit planning report dated 21 June 2021 and Audit results report May 2022 and September 2022

## Appendix B

### Implementation of IFRS 16 Leases

In previous reports to the Joint Audit, Risk and Assurance Committee meeting, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for authority until 1 April 2023 at the earliest. However, officers should be acting now to assess authority's leasing positions and secure the required information to ensure the authority will be fully compliant with the Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	Management should: <ul style="list-style-type: none"> <li>▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.</li> <li>▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.</li> </ul>
Policy Choices	Authority needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> <li>▶ Whether to adopt a portfolio approach</li> <li>▶ What low value threshold to set and agree with auditors</li> <li>▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components</li> <li>▶ What is management's policy in relation to discount rates to be used?</li> </ul>
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where authority is lessee; and potentially for sub-leases, where authority is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

## EY | Assurance | Tax | Transactions | Advisory

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ED None

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# JARAC

## Financial Update (April to August 2022)

Produced by: Strategic Finance  
Date of Meeting: 27<sup>th</sup> September 2022

### OUR PRIORITIES



Vulnerability



Fighting  
Crime



Our  
People



Prevention and  
Partnerships



Responsive and  
Visible Policing



Service to  
the Public



Trust and  
Legitimacy



Making Derbyshire Safer **Together**





# Revenue Budget – Projected Outturn Position At period 5 (period-ending 26th August 2022)

The current forecast for the year-end position is:

**£4.296m** underspend + **£0.303m** underspend = **£4.599m** underspend = **2.17%** underspend

**Total**                      **% of budget**

Total Budget £m	Spend To Date £m	Forecast Outturn £m	Variance £m
203.823	56.663	199.527	( 4.296)
			( 2.1%)
8.435	16.641	8.132	( 0.303)
			( 3.6%)

What are the headlines in the forecast for the Chief Constable?

- £3.082m relates to central provisions that will need earmarking for future spends, the remaining (£1.517m) is the uncommitted underspend
- Police Staff salaries to be underspent by £2.8m (12.6% vacancy rate)
- Forecasting a £0.518m net overspend on Police Officer pay
- £0.500m cost for Professional Fees for Chesterfield Divisional HQ
- Utility costs expected to be overspent by £0.315m
- £1.5m Design Board and £1.582m of the £3m PCC Investment Fund, not expected to be spent

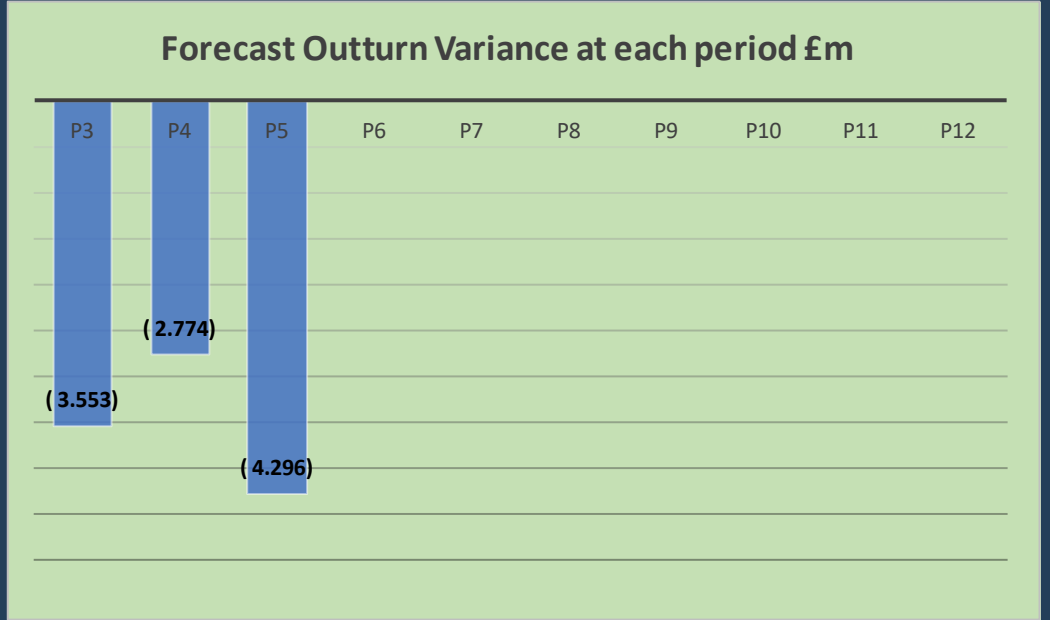
And for the Police and Crime Commissioner?

- Additional income from investment income of £0.670m offset by an increased capital contribution of £0.375m for the purchase of agile laptops.

# Chief Constable Variance

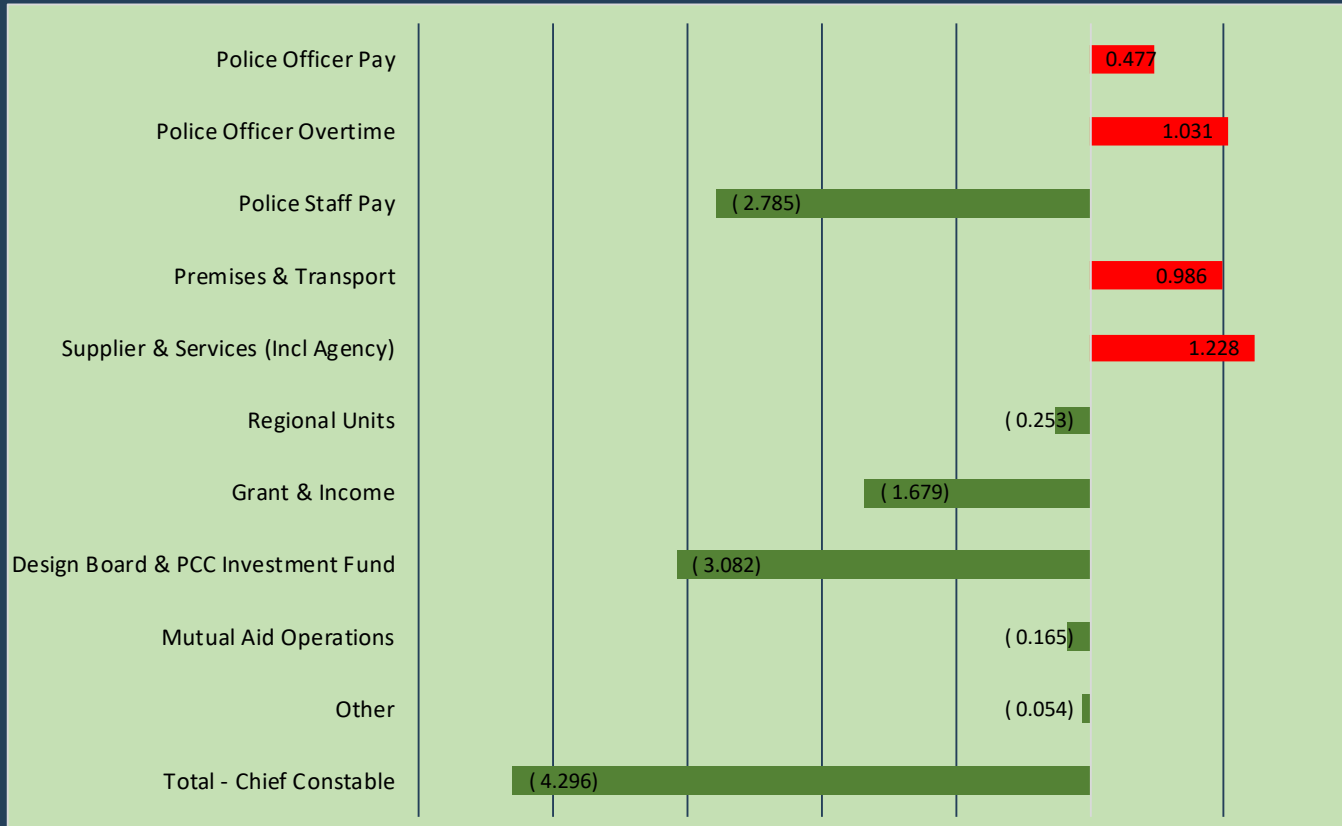
What has changed in the forecast outturn position since last period?

AREA	Impact on U/spend	Amount £000's
Police Officer Salary Costs	↓	-84
Police Officer Overtime	↑	230
Police Staff Salaries	↓	-391
PCC Investment Fund	↓	-1,313
Other	↑	36
<b>TOTAL MOVEMENT IN VARIANCE</b>	↓	<b>-1,522</b>



**Comments**  
 The PCC Investment Fund is now forecasting an underspend of (£1.582m) primarily due to two building schemes that are now not expected to be completed this financial year.  
  
 The forecast overspend on Police Officer overtime now exceeds £1m.

**Forecast Variances**  
**Chief Constable controlled**  
**£m**



**Variances on Police Officers Pay / Overtime and Staff Pay**

Information on the pay variances are to be found on later slides

**Information on non-pay variances**

**Premises Costs**

- Utilities	£315k
- Cleaning	£136k
- Unitary Fee PFI	£215k
- Rates	(£125k)

**Supplies & Services**

- Professional Fees	£465k
- Vehicle Recovery *	£226k
- IT costs	£193k
- NPAS	£153k
- Dangerous Dogs	£80k

**Transport Costs**

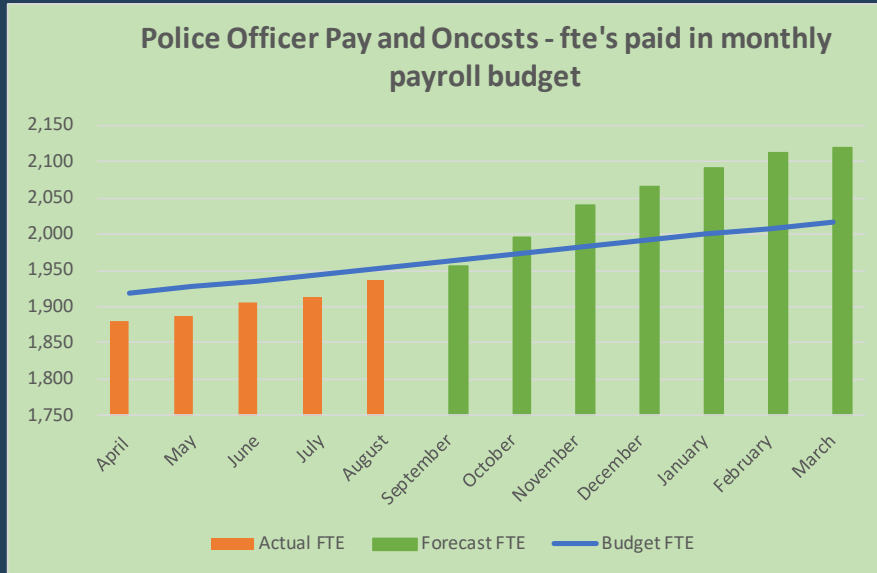
- Insurance Premiums	£130k
- Fuel	£117k
- Travel Expenses	£82k
- Vehicle Maintenance	£116k

**General Income**

- Vehicle Recovery *	(£292k)
- Proceeds of Crime	(£150k)
- Grant support for PO Pay Award	(£989k)
- Costs Recovered	(£84k)

\* greater than expected Vehicle Recovery activity means that costs incurred and fees received are expected to significantly exceed the budget, resulting in a net surplus of £66k.

## Expected Profile of Police Officers - employed fte's and payroll costs



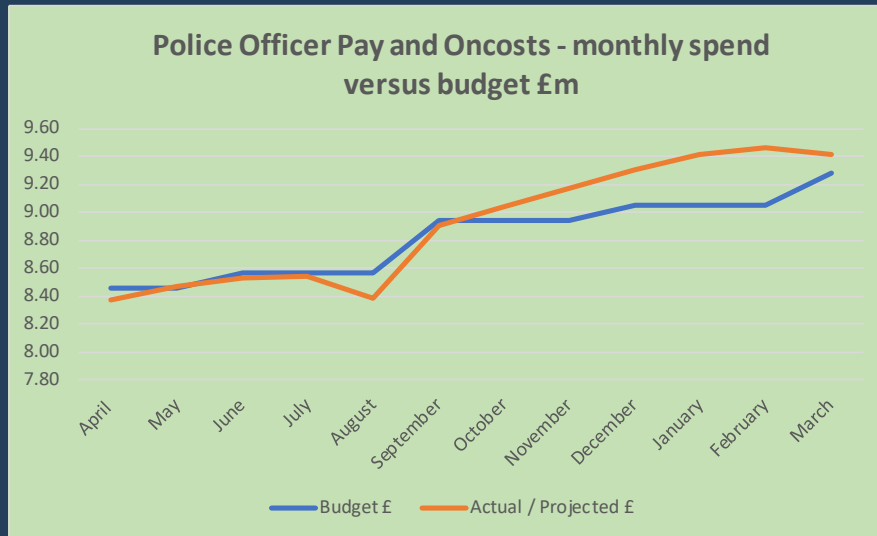
## Commentary

### August (Period 5) Payroll Figures Fte's

Paid	1,906	(Excludes EMCTIU and other external secondments)
Uplift Target	113	
Current Standing	<b>33</b>	<b>Less Officers recruited</b>
Projected Standing by March 2023	2,120	
Equates to	<b>103</b>	<b>More Officers recruited (Over the target of 2017)</b>

The current forecast on Police Officer salary costs is an overspend of £0.477m as a result of the £1,900 pay award for all officers, which equated to a 5.24% increase.

Notification has been received of (£0.989m) grant support for the pay award



Whilst it is still projected that recruiting over the uplift target can be funded from the savings achieved by being below profile for the first six months of the year, it would create additional funding pressures from April 2023, until we fall back in line with our expected profile.

## The projected overspend on Police Officer Overtime (£1.031m) - by formation

### Commentary

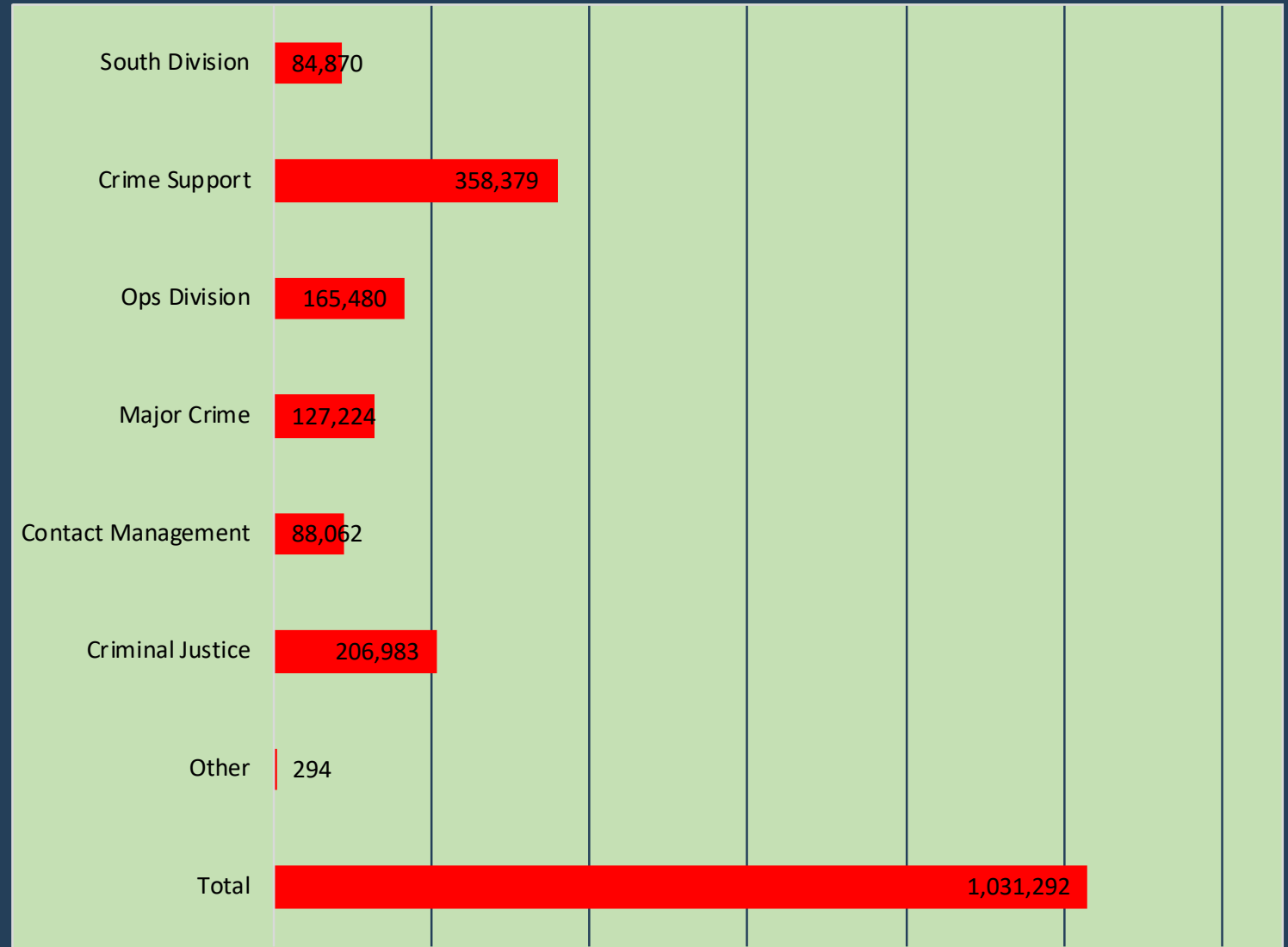
The South Division and Operational Support are currently experiencing high levels of spend in relation to minimum staffing requirements.

The overtime pressures are related to the lower profile of police officer numbers highlighted on the previous slide and the need in some departments (CCMC and Criminal Justice) to cover staff roles.

It is anticipated that the requirement for overtime will be alleviated later in the year.

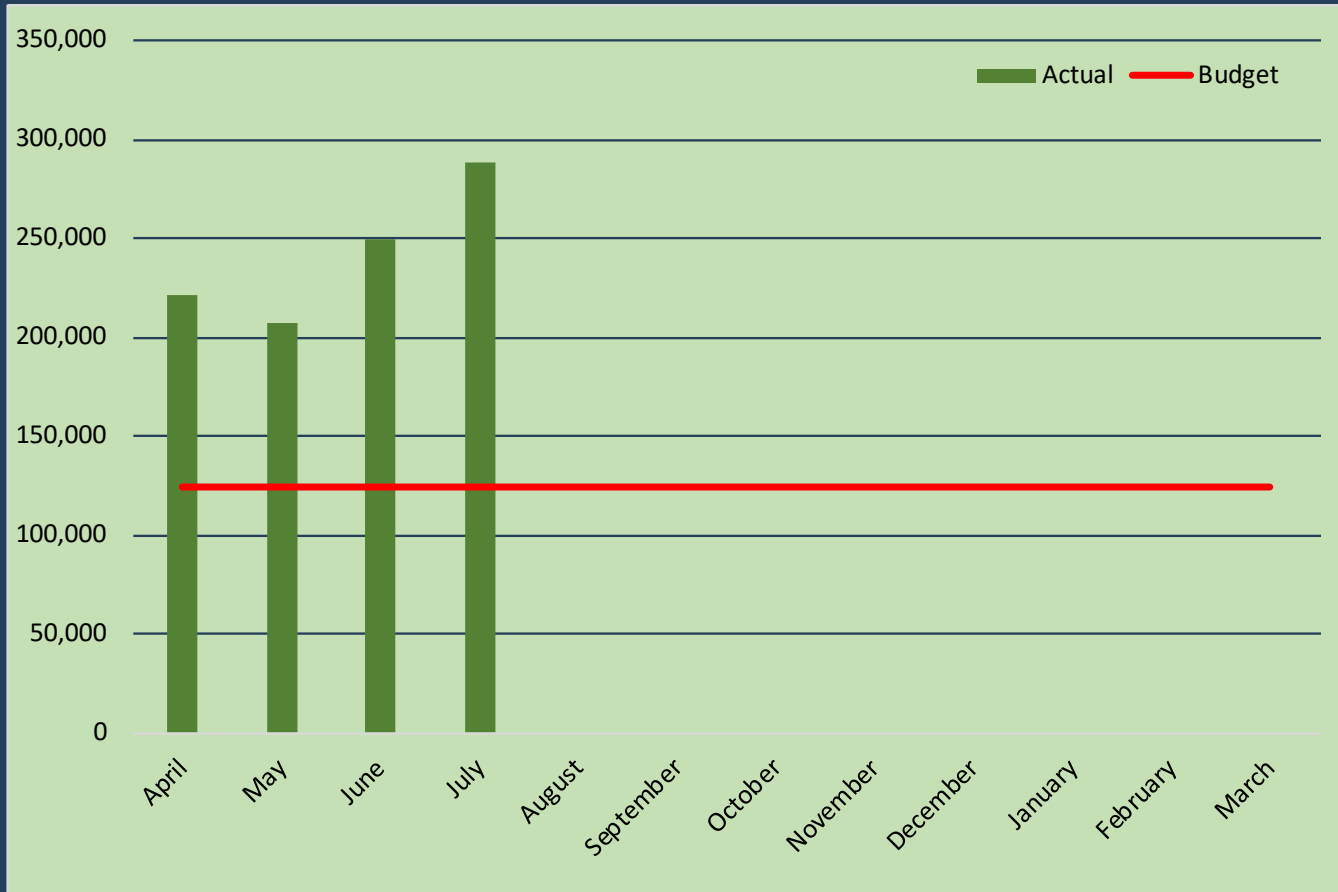
The budget pressures resulting from additional officers in Crime Support and Contact Management will be addressed once the new units have bedded in.

Overtime costs are likely to increase further as a result of Operation London Bridge.



## The force's monthly spend on Normal overtime (excluding Bank Holidays, Football and Major Incidents)

### Police Officer Normal Overtime - Total Spend v Budget



### Commentary

Spend on Normal Overtime in the first 4 months of the year was an average of £117k over the amount allowed for in the budget (Period 4 expenditure was £163k over).

The additional levels of spend mainly relate to requirements to achieve minimum staffing levels.

The higher spending on overtime is offsetting an underspend on police officer pay costs in the early part of the year.

It is anticipated that as police officer numbers increase throughout the year, pressures on the overtime budget will fall.

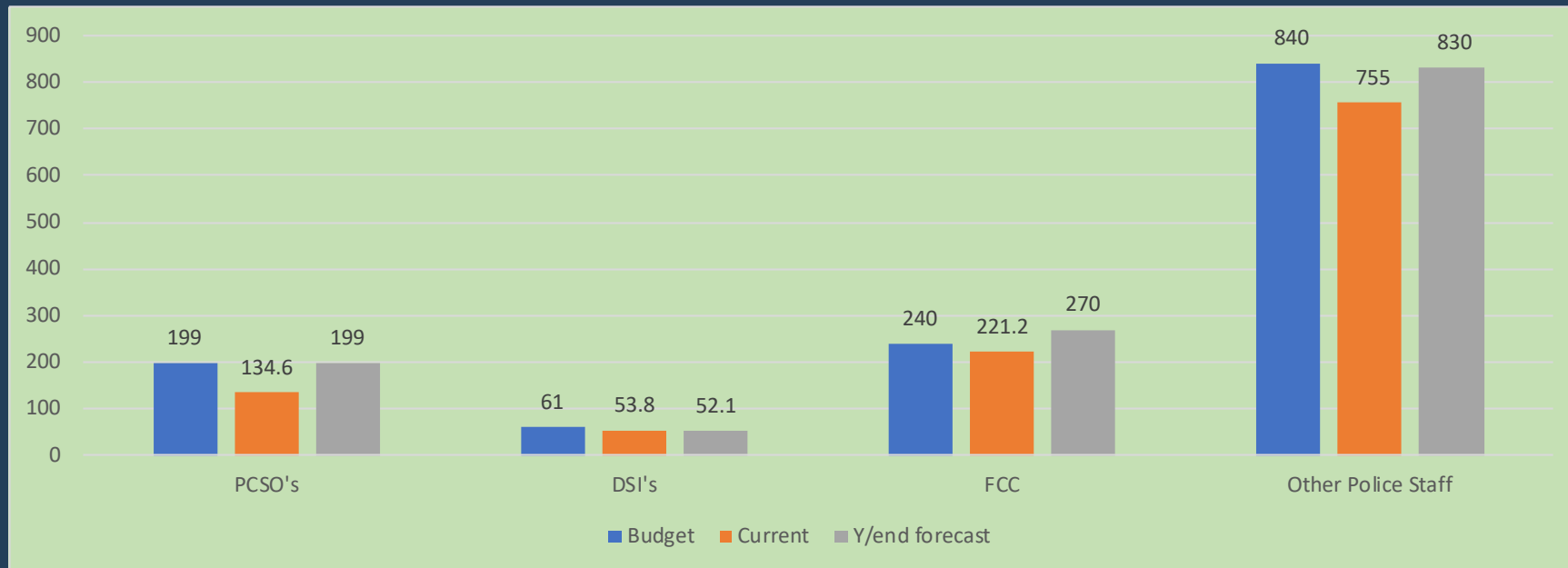
Expenditure will also depend on the nature of incidents which require investigation during the year.

# Breakdown of the projected underspend against the Police Staff salaries budget (£2.785m) (1)

The number of FTE's paid within the August police staff payroll was 1,169, 167 FTE's under the number of posts within the budget. This is a vacancy rate of 12.4% compared to the budgeted allowance of a 4% vacancy rate.

The currently projected underspend assumes that recruitment in the remainder of the year will bring actual FTE's in line with the budget by 31<sup>st</sup> March 2023.

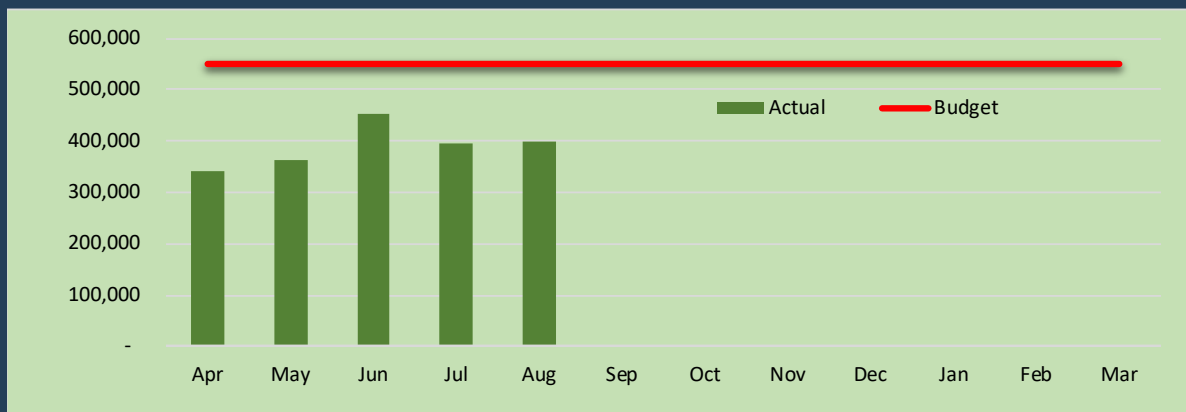
FTE's paid within August's police staff payroll and forecast for March 2023



# Breakdown of the projected underspend against the Police Staff salaries budget (£2.785m) (2)

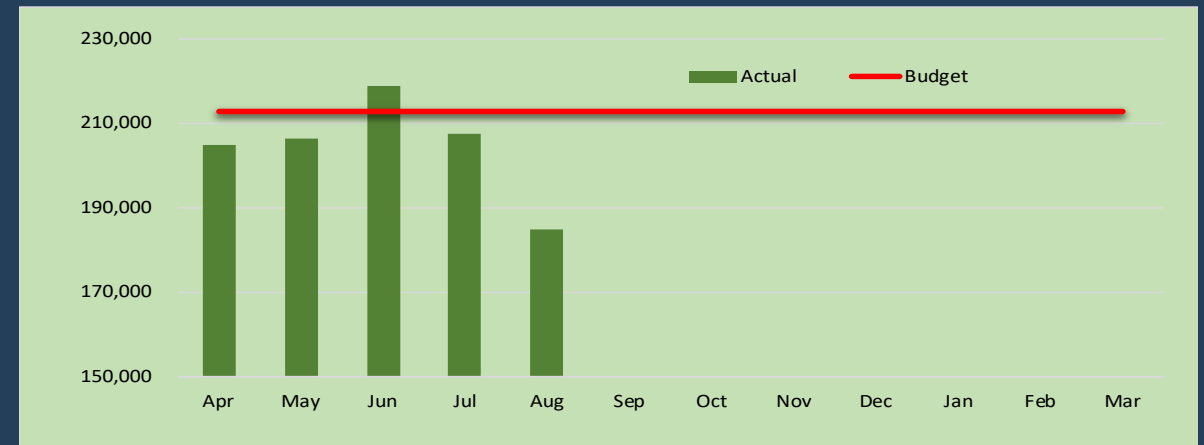
## PCSO Salaries & Oncosts - monthly spend against budget

Budget	Spend to Date	Outturn	Variance
6,602,800	1,954,463	5,486,930	( 1,115,870)



## DSI Salaries & Oncosts - monthly spend against budget

Budget	Spend to Date	Outturn	Variance
2,554,600	1,022,467	2,430,349	( 124,251)



PCSO'S	FTE
Budgeted	199.0
Current	134.6
Current vacancies	64.4 32%

DSI's	FTE
Budgeted	60.7
Current	53.8
Current vacancies	6.9 11%

Increased costs in June reflects the payment of the backdated pay award.

Increased costs in June reflects the payment of the backdated pay award.

Planned intakes	FTE
September	30.0
November	35.0
January	10.0
March	10.0

Planned intakes	FTE
October	12.0

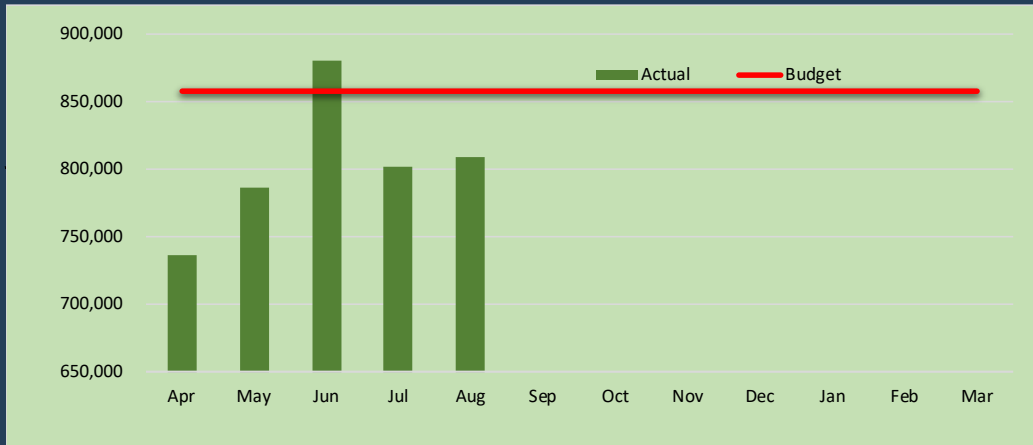
This recruitment will offset further expected wastage, especially by PCSO's resigning to become Police Officers.



# Breakdown of the projected underspend against the Police Staff salaries budget (£2.785m) (3)

## Force Contact Centre Salaries & Oncosts - monthly spend against budget

Budget	Spend to Date	Outturn	Variance
10,300,000	4,014,089	10,403,539	103,539



Contact Centre Staff	FTE
Budgeted	239.6
Current	221.2
Current vacancies	18.4 8%

Increased costs in June reflects the payment of the backdated pay award.

Planned intakes	FTE
September	30.0
January	30.0

Vacancy control removed and allowed to go 10 FTE over

## Other Police Staff

## FTE

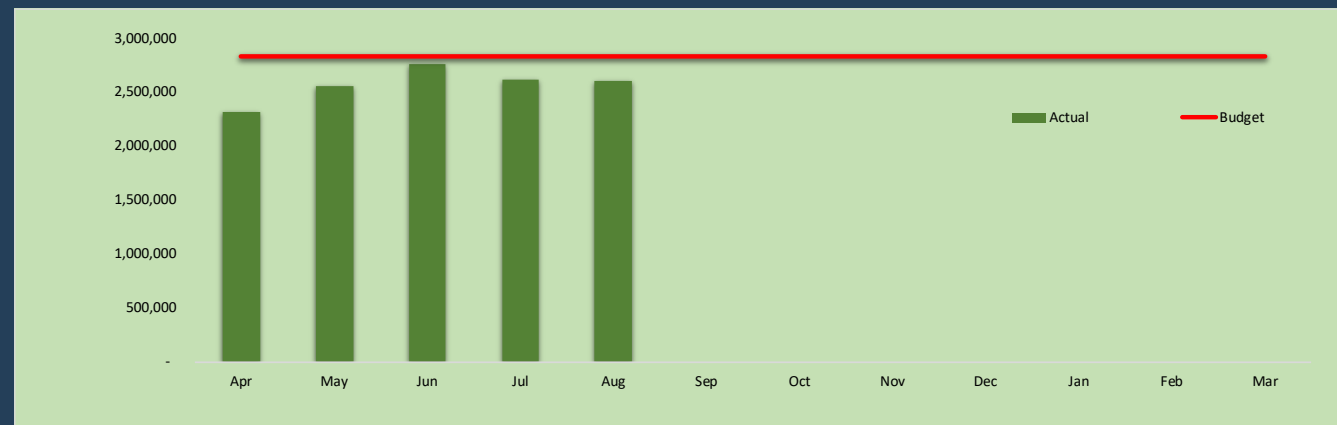
Budgeted	836.0	
Current	755.0	
Current vacancies	81.0	10%

Increased costs in June reflects the payment of the backdated pay award.

Vacancies are forecast to reduce to 52 by 31 March  
A breakdown by formation is on the following slide

## Other Police Staff Salaries & Oncosts - monthly spend against budget

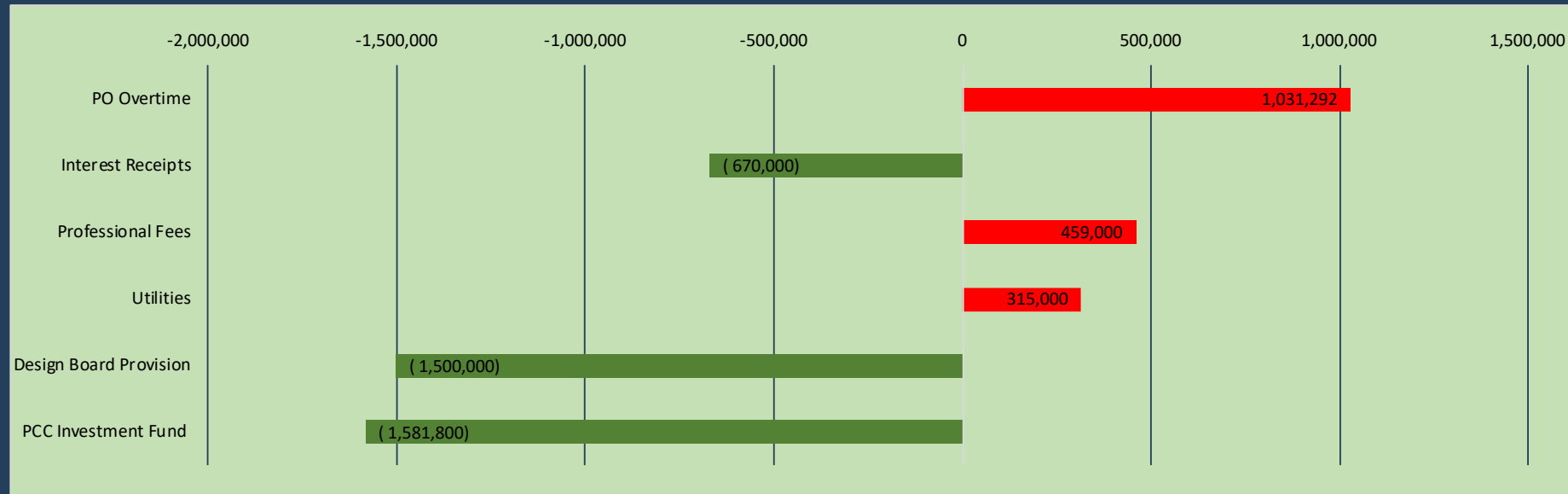
Budget	Spend to Date	Outturn	Variance
34,011,300	12,807,564	31,804,319	( 2,206,981)



## All Other Police Staff - Actual / Projected Spend against Budget

	Budget	Spend to Date	Outturn	Variance	Budgeted	Current Actual	Current Variance	Year End Variance
North Division	717,100	258,755	623,581	( 93,519)	22	19	( 3)	( 2)
South Division	733,600	234,734	630,822	( 102,778)	20	16	( 4)	1
Crime Support	7,051,900	2,806,938	6,758,591	( 293,309)	176	161	( 15)	( 5)
Major Crime	19,400	219	18,335	( 1,065)				
Major Crime Unit	517,200	123,838	431,298	( 85,902)	15	15	( )	( )
	<b>9,039,200</b>	<b>3,424,484</b>	<b>8,462,627</b>	<b>( 576,573)</b>	<b>234</b>	<b>211</b>	<b>( 22)</b>	<b>( 6)</b>
Operational Support	831,500	338,289	830,963	( 537)	28	20	( 8)	( 1)
Contact Management	831,200	316,316	775,821	( 55,379)	24	20	( 4)	( 1)
Criminal Justice	5,982,400	2,437,210	5,746,528	( 235,872)	174	162	( 12)	( 3)
	<b>7,645,100</b>	<b>3,091,815</b>	<b>7,353,312</b>	<b>( 291,788)</b>	<b>226</b>	<b>202</b>	<b>( 24)</b>	<b>( 5)</b>
Executive Officers	244,500	100,029	250,706	6,206	4	4	( )	( )
Corporate Services	2,269,100	902,152	2,184,554	( 84,546)	48	49	1	( )
Communications & Engagement	982,300	352,646	913,432	( 68,868)	23	19	( 4)	0
Information Management	1,388,800	521,699	1,325,120	( 63,680)	42	38	( 3)	0
Professional Standards	853,200	334,935	818,248	( 34,952)	25	25	( )	( )
IS Dept	3,316,900	1,180,414	2,923,666	( 393,234)	69	60	( 9)	( 2)
Human Resources	2,583,700	1,036,050	2,456,383	( 127,317)	72	63	( 8)	( 14)
	<b>11,638,500</b>	<b>4,427,925</b>	<b>10,872,109</b>	<b>( 766,391)</b>	<b>283</b>	<b>258</b>	<b>( 25)</b>	<b>( 16)</b>
Procurement	244,500	71,491	181,980	( 62,520)	5	3	( 2)	0
Assets	1,461,700	448,304	1,172,444	( 289,256)	32	27	( 6)	( 1)
Finance & Business Support	2,080,800	824,396	2,016,757	( 64,043)	59	51	( 7)	( 3)
Staff Associations	70,200	31,003	74,381	4,181	2	2	0	0
	<b>3,857,200</b>	<b>1,375,194</b>	<b>3,445,562</b>	<b>( 411,638)</b>	<b>98</b>	<b>83</b>	<b>( 15)</b>	<b>( 4)</b>
Provisions - eg Uplift Support	354,800	850	166,100	( 188,700)				
Force - Central Purchases	1,476,500	487,296	1,504,609	28,109				
	<b>1,831,300</b>	<b>488,146</b>	<b>1,670,709</b>	<b>( 160,591)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>34,011,300</b>	<b>12,807,564</b>	<b>31,804,319</b>	<b>( 2,206,981)</b>	<b>840</b>	<b>755</b>	<b>( 85)</b>	<b>( 31)</b>

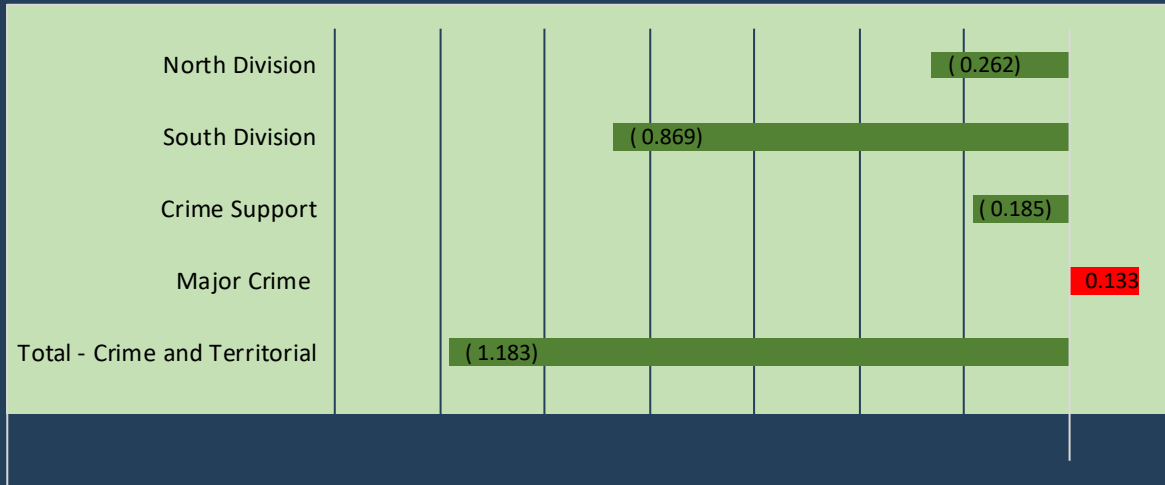
## Pinch Points / Pressure Areas identified for non-pay budgets



- PO Overtime – see previous slide for breakdown.
- Interest receipts have increased as a result of higher bank base rate.
- Professional fees of £500k have been committed towards the land acquisition for Chesterfield Divisional HQ – these will be capitalised if the purchase goes ahead.
- Increased utility costs of £315k as a result of national prices increases in energy bills.
- The Design Board budget of £1.5m is unlikely to be spent in this financial year and is expected to be committed towards PCIP costs in 2023/24.
- The PCC Investment Fund Provision is now forecasting an underspend on two building schemes, this will need to be earmarked to a reserve for the spend in future years

# Forecast Variances on Formation Devolved Budgets Grouped by Chief Officer Portfolio

## Forecast Variances - Crime & Territorial - £m



## Crime & Territorial Main Variances

North – PCSO & DSI vacancies (£0.289m), staff OT £28k, fuel £0.055m, PO OT (£0.011m), Travel (£0.008m)

South – PCSO vacancies (£0.768m), PO overtime £0.085m and fuel £0.029m

Crime Support – PO overtime costs £0.358m, staff vacancies (£0.391m) and surplus POCA income (£0.150m)

Major Crime – PO overtime £0.127m

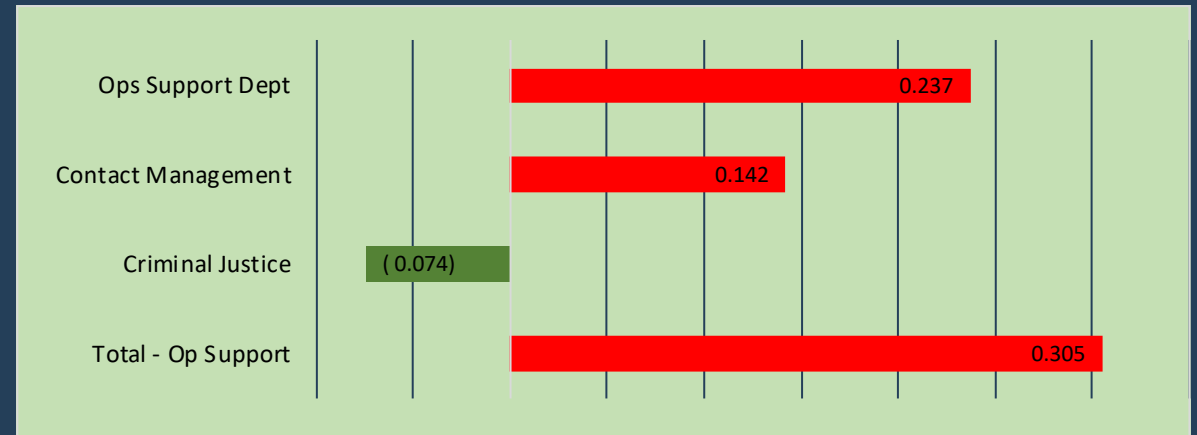
## Operational Support Main Variances

Ops – PO Overtime £0.165m, staff salaries (£0.046m), Dangerous Dogs £0.080m, travel £0.023m

CCMC – PO Overtime £0.088m plus staff vacancies and overtime £0.048m

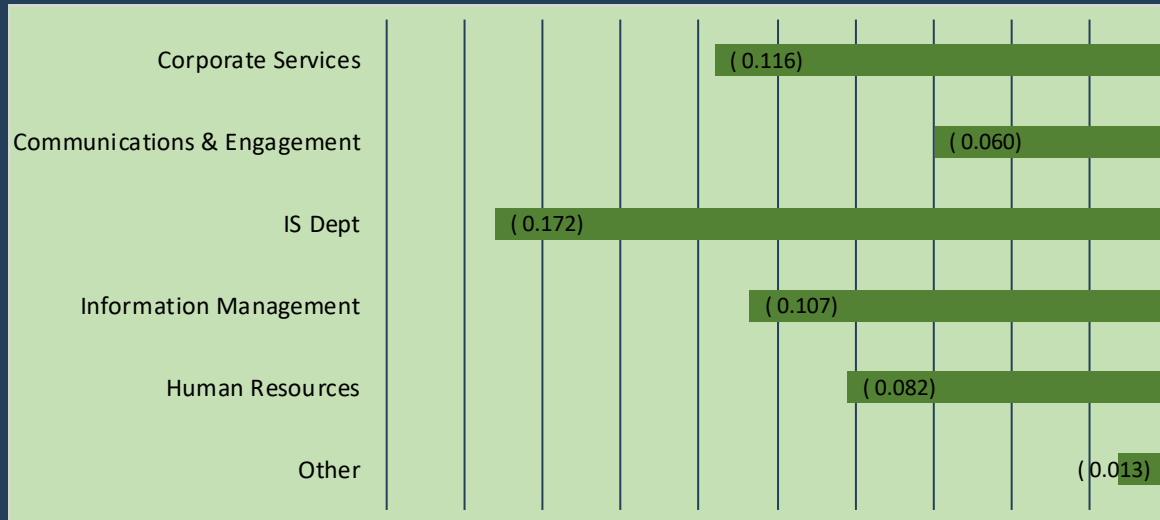
Criminal Justice – PO Overtime £0.207m, staff vacancies (£0.235m), firearms licencing income £0.038m, medical care of prisoners (£0.027m)

## Forecast Variances - Op Support - £m



# Forecast Variances on Formation Devolved Budgets Grouped by Chief Officer Portfolio

## Forecast Variances - Corporate Services - £m



### Corporate Services Main Variances

Corporate Services – Staff salaries (£0.084m) and partnerships (£0.040m)

Communications & Engagement – Staff salaries (£0.058m)

IS Dept – Staff salaries (£0.351m), software maintenance £0.249m, circuits £0.059m and national IT charges (£0.111m)

Information Management – Staff salaries (£0.058m), PO overtime (£0.012m) and remote storage costs (£0.012m), costs recovered (£0.035m)

HR – Staff salaries (£0.127m), travel £0.032m costs recovered £0.020m

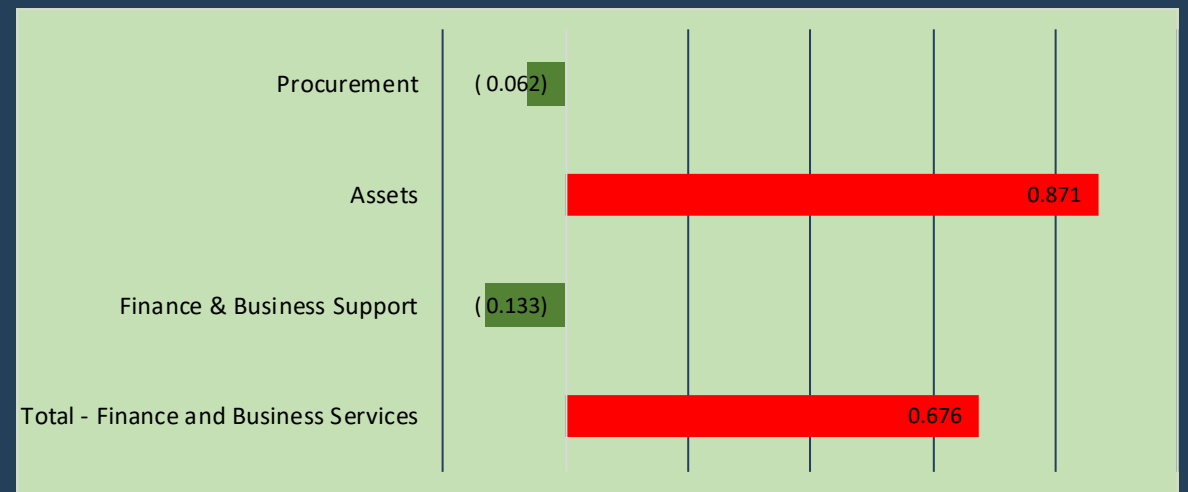
### Finance & Business Services Main Variances

Procurement – Staff vacancies

Assets - Assets - Staff Salaries & OT (£0.265m), utility and cleaning costs £0.448m, professional fees £0.500m, vehicle maintenance & additional work £0.180m

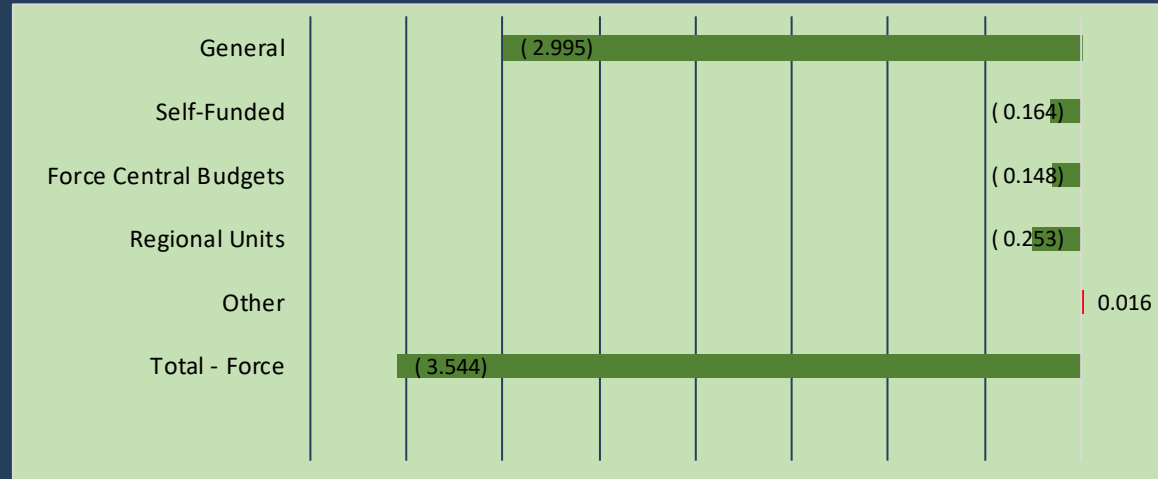
Finance & Business Support - Staff salaries & OT (£0.064m), income recharges (£0.076m)

## Forecast Variances - Finance and Business Services - £m



## Forecast Variances on Chief Constables Non-Devolved Budgets

### Forecast Variances - Other - £m



### Other Main Variances

General – Design Board & PCC Provisions (£1.814m), PO pay award grant (£0.989m) and rates (£0.150m)

Force Central Budgets – PCC Investment Fund provision (£1.250m), PO salaries £0.477m, insurance £0.171m, PFI £0.215m, Agency £0.084m and NPAS £0.153m

# Provisions within the 2022/23 Revenue Budget and Earmarked Reserves at 1 April 2022

The tables below set out the current projections for the use of the c£17.5m of resources available as central provisions within the 2022/23 Revenue Budget or in Earmarked Reserves on the balance sheet as at 1 April 2022.

## Provisions (Project Allocations)

Provision	Approved Budget £	Currently Committed £	Assumed Further Commitments £	Assumed Variance £	% Committed to Date
Design Board	2,190,000	443,000	247,000	( 1,500,000)	19.77
PCC Investment Fund	3,016,034	562,000	872,234	( 1,581,800)	16.58
<b>Total</b>	<b>5,206,034</b>	<b>1,005,000</b>	<b>1,119,234</b>	<b>( 3,081,800)</b>	

## Useable Reserves

Reserve	Reserve as at 01/04/2022 £	Currently Committed £	Assumed Further Commitments £	Assumed Remaining Balance as at 31/03/2023 £	% Committed to Date
Carry Forward	1,122,300	144,200	978,100	-	12.85
March 22 Planning Day Initiatives	1,254,500	317,400	937,100	-	25.30
P & E Reserves	500,000	-	500,000	-	-
Workforce Resilience & Wellbeing	997,000	-	997,000	-	-
Design Board Reserve	1,000,000	-	-	1,000,000	-
Covid 19 Funding	299,153	-	299,153	-	-
IT Equipment Reserve	500,000	-	500,000	-	-
PCC Grants & Commissioning	1,118,578	100,000	-	1,018,578	8.94
Operational Funding & Investment	3,742,886	211,800	-	3,531,086	5.66
Contribution to Capital	550,689	-	550,689	-	-
Local Council Tax Support	1,311,401	-	-	1,311,401	-
<b>Total</b>	<b>12,396,507</b>	<b>773,400</b>	<b>4,762,042</b>	<b>6,861,065</b>	-

## Capital Programme

	Buildings £m	Equipment & Vehicles £m	IT £m	Design Board £m	EMCTIU £m	Regional Lead Force £m	Total £m
<b>Revised Capital Programme (Incl Slippage)</b>	<b>13.250</b>	<b>2.801</b>	<b>4.963</b>	<b>1.529</b>	<b>0.175</b>	<b>0.000</b>	<b>22.718</b>
Actual	0.176	0.705	1.425	0.009	0.059	0.013	2.385
Commitments	0.845	0.771	1.541	0.000	0.079	0.042	3.278
<b>Total To Period 5 (26th August 2022)</b>	<b>1.020</b>	<b>1.475</b>	<b>2.967</b>	<b>0.009</b>	<b>0.138</b>	<b>0.055</b>	<b>5.664</b>
<b>Budget Remaining</b>	<b>12.230</b>	<b>1.326</b>	<b>1.996</b>	<b>1.521</b>	<b>0.037</b>	<b>( 0.055)</b>	<b>17.054</b>

An Original Capital Budget of £20.173m for 2022/23 was approved at the Public Assurance meeting on the 19 January 2022, this was Revised to £22.178m to reflect slippage from 2021/22 at the Financial Assurance Board.

## Detailed Capital Analysis

Scheme	Total Original Budget £m	Total Revised Budget £m	Actual Commitments & Contracts to be paid £m	Budget Remaining £m	% Spend
<b>Expenditure</b>					
SNT Building Refurbishment & Replacemen	1.200	1.488	0.725	0.763	49%
Major New/Replacement Buildings	8.650	8.781	0.108	8.673	1%
Other Building Work/Land	2.237	2.981	0.187	2.794	6%
IS/Communications	4.173	4.963	2.967	1.996	60%
Vehicles	1.880	2.257	1.133	1.124	50%
Equipment	0.329	0.544	0.343	0.201	63%
Design Board	1.529	1.529	0.009	1.521	1%
EM CTIU	0.175	0.175	0.138	0.037	79%
<b>Sub Total</b>	<b>20.173</b>	<b>22.718</b>	<b>5.609</b>	<b>17.109</b>	<b>25%</b>
Regional Projects (to be recharged)	-	0.000	0.055	( 0.055)	
<b>Total</b>	<b>20.173</b>	<b>22.718</b>	<b>5.664</b>	<b>17.054</b>	



# Information

## Building Schemes

- SNT Building Refurbishment & Replacement – A property purchase was completed in February 2022 for a SNT at Alfreton, further improvement works are to commence on site in July to complete in November 2022. Land acquisition for the Clay Cross SNT is in progress with price and Heads of terms agreed and the design for the Killamarsh SNT project has been submitted to the local council for pre-application consultation.
- North Hub and Custody – A site masterplan has been developed with site owner, this has been discussed with the local council. An offer has been made to the owner, to be considered by their board.
- Ilkeston PFI purchase – A price has been agreed. Currently with legal
- Old Hall Refurbishment – Consultant design team has been appointed and the first design team meeting will be held in September.
- Other Schemes – Method of Entry (MOE) Rig works are out to tender due back in September. Works have commenced for Custody CCTV at Ripley Police Station and Derby Divisional Headquarters, tenders for the Mast rewiring have been received and are being reviewed with a view to award. Planning consent has been received for a security scheme at Headquarters, a scheme is being worked up for tender. A tender will go out for the PCC move to JHQ building in September.

## Equipment and Vehicles

- Vehicles – 50% of orders have been placed for vehicles.
- Equipment – Spend/commitments to date are for dry suits, e-bikes, defibrillators, FC-X equipment, vehicle telematics and covert laptops.

## IS Schemes

- IS replacement schemes – Most of the budget for end user devices has been committed to support agile working. Further laptops will be purchased funded from reserves and underspends on revenue. Budget is also included for server/storage, ANPR replacements and network/communication equipment.
- IS Infrastructure Projects – A contract has been awarded for the Command and Control refresh of hardware. Budget is also included for data switches and the replacement of the old network and corporate telephone system. An order has been placed for an Integrated Voice Recognition system.
- ESN – Due to the delay in the ESN project further airwave terminals were ordered in 2021/22, the majority of these were delivered in 2022/23. This budget is also to be used for the Despatch Communication Server.
- Design Board IS Capital Projects - Approval has been given to use the budget for a Digital Evidence Management system, for Programme Evolve and for PCOT Digital solutions. The commitments total £212k. The majority of the budget will be used for the Command and Controls system for which a business case has been submitted.

## Treasury Management

	Previous Year £m	Original Budget £m	This Month £m	Last Month £m
LOANS - PWLB	32.082	41.262	31.905	31.950
LOANS - PFI Liabilities	6.364	5.029	5.808	5.919
<b>Total Borrowing</b>	<b>38.446</b>	<b>46.291</b>	<b>37.713</b>	<b>37.869</b>
Total Average Investments	20.641	10.000	38.870	34.778
Total Investment Income	( 0.030)	( 0.010)	( 0.188)	( 0.115)
Average Interest Earned to date	0.084%	0.015%	1.077%	0.956%
Average SONIA Rate to date	n/a	n/a	1.125%	0.968%
Average Base Rate to date	0.202%	0.750%	1.185%	1.030%

### Borrowing

The budget of £41.262m assumes borrowing of £10m to be taken out in the third quarter of 2022/23 if required to finance the capital programme in 2023/24. Based on escalating borrowing rates and progress in the capital programme in 2022/23 it is unlikely that this will be required.

The figures above ignore the recognition of leases under IFRS16 which has since been put back a further year.

### Investment Income

From 10 March 2020 the Bank Rate was at a record low of 0.10% in an emergency response to COVID-19. In response to the financial climate, investments were taken out for shorter periods. However, since December 2021 the Bank Rate has increased six times and is currently 1.75% which has led to an increase in interest on investments. This coupled with a better cashflow means that investment income to date is £0.188m against a budget of £0.010m and due to continued projected Bank Rate increases is expected to be £0.680m by the end of March.

# Financial monitoring to end of period 5 (26th August 2022) - Conclusion

## **RISKS IDENTIFIED**

- Inflation and Interest rates are expected to be greater than originally forecast when the budget was agreed. This could have a significant impact on our future running costs.
- Police Officer Pay Award of 5% is greater than budgeted for. The net increase (after Govt grant) is expected to be an additional cost of £500k.
- Vacancies in Police Officer and Police staff roles is likely to result in additional overtime costs, Police Officer overtime is now forecasting an overspend in excess of £1m.
- The effects of Brexit and the war in Ukraine is having an effect on supply chain issues and causing delays in the delivery of goods and services.
- Additional overtime costs are currently being met from wider savings.
- Future costs to support Op London Bridge/Unicorn.

## **ACTIONS**

- Early identification of any in-year savings, to be re-allocated to priority areas.
- MTFP to be updated to reflect above costs and to model a Best, Mid and Worst case scenario.

## **DECISIONS TAKEN**



Office of the Police & Crime Commissioner  
for Derbyshire & Derbyshire Police  
Internal Audit Progress Report

Presented to JARAC: 27<sup>th</sup> September 2022

Agenda Item 8A

**mazars**

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## *Disclaimer*

This report (“Report”) was prepared by Mazars LLP at the request of the Derbyshire Police and the Officer of the Police and Crime Commissioner (OPCC) for Derbyshire and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit the Derbyshire Police and the Officer of the Police and Crime Commissioner (OPCC) for Derbyshire and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A5 of this report for further information about responsibilities, limitations and confidentiality.

## 01 Summary

The purpose of this report is to update the Joint Audit, Risk & Assurance Committee (JARAC) as to the progress in respect of the Operational Plan for the year ending 31st March 2023, which was considered and approved by the JARAC at its meeting on 30<sup>th</sup> March 2022.

The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.

Internal audit provides the Police and Crime Commissioner and Chief Constable with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.

Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.

Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

## 02 Current progress

### 2022/2023

Since the last update provided to the committee, we are pleased to inform the committee that the final report in respect of Retention has been issued, see Appendix A4 for full details. In addition to this the Collaboration Audits of EMCHRS L&D Governance, EMSOU – Business Continuity and EMSOU – Risk Management have been issued in final report and are included in Appendix A4. Moreover, by the time this paper will be presented the draft report in respect of the Risk Management Audit will also have been issued.

The delivery of the agreed 2022/23 Internal Audit Plan is progressing and we are pleased to inform the committee that the fieldwork for the Firearms Licensing & Core Financial Audits will be starting in September. Moreover, a planning meeting for the IT audit of Agile Working has taken place and a draft terms of reference is in the process of being agreed, with a January date being proposed for fieldwork.

A detailed discussion on the 2022/23 Collaboration Audit Plan was held at the regional CFO meeting with a number of proposals put forward by Internal Audit. It was agreed that the plan should include a total of six audits with the focus being to get this completed earlier in the 2022/23 year. Therefore, we are pleased to update the committee that the field work in respect of Digital Currency and EMSOT Closedown is underway and nearing a conclusion with the audit of Performance Management scheduled in for October. See Appendix 3 for full details.

A summary of Derbyshire's Plan is provided in Appendix A1.

## 03 Performance 22/23

The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter.

Number	Indicator	Criteria	Performance
1	Annual report provided to the JARAC	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JARAC	As agreed with the Client Officer	Achieved
3	Progress report to the JARAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	50% (1/2)
5	Issue of final report	Within 5 working days of agreement of responses.	0% (0/1)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (4/4)
9	Customer satisfaction (measured by survey)  "Overall evaluation of the delivery, quality and usefulness of the audit" – Very Poor, Poor, Satisfactory, Good, Very Good.	85% average satisfactory or above	-% (-/1)

\*See further details below



## Performance Continued.

Audit	Date of ToR	Start of Fieldwork	Days ' Notice	Exit meeting	Draft Report	Time from Close to Draft Report (10)	Management Comments Received	Time to Receive Comments (15)	Final Report Issued	Time Taken to issue Final (5)
Retention	31-May-22	20-Jun-22	15	06-Jul-22	01-Aug-22	19	09-Aug-22*	7	02-Sep-22	12
Risk Management	21-Jun-22	01-Aug-22	30	12-Sep-22						
Core Financial	05-Sep-22	26-Sep-22	16							
Firearms Licensing	04-Aug-22	21-Sep-22	35							

\*First Management Comments 9/8, Last 18/8

## A1 Plan overview

22-23

Audit area	Fieldwork Date	Draft Report Date	Final Report Date	Target JARAC	Comments
Retention	20-Jun-22	Aug 22	Sept 22	Sept 22	Final Report Issued
Risk Management	01-Aug-22	Sep 22		Nov 22	Draft Report Issued
Core Financial	26-Sep-22			Jan 23	Fieldwork Ongoing
Firearms Licensing	21-Sep-22			Nov 22	Fieldwork Ongoing
Policy Review & Publication	14-Nov-22			Jan 23	
Payroll	12-Dec-22			Mar 23	
Contract Management (Commissioning)	03-Jan-23			Mar 23	
Procurement & Contract Man Follow Up	10-Jan-23			Mar 23	
Transport Follow Up	16-Jan-23			Mar 23	
Business Continuity	20-Feb-23			Jun 23	
IT – Agile Working	9-Jan-23			Mar 23	

## A2 Reporting Definitions

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance:</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Recommendation Priority	Description
<b>1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the Organisation to a high degree of unnecessary risk.
<b>2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the Organisation to a moderate degree of unnecessary risk.
<b>3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## A3 Collaboration Internal Audit Plan 22/23

Audit area	Forces	Status
EMSOT Closedown	Leics, Lincs, Northants	Fieldwork Ongoing
EMSLDH Governance	Derby, Leics, Northants, Notts	Final Report Issued
EMSOU - Business Continuity	Five Force	Final Report Issued
EMSOU Risk Management	Five Forces	Final Report Issued
Collaboration Performance Management	Five Forces	Scheduled for early October
Digital Currency	Five Forces	Fieldwork Ongoing

## A4 Final Reports

Below we provide the final reports issued.



Office of the Police and Crime Commissioner for Derbyshire and Derbyshire Police

**Final Internal Audit Report 22/23**

**Retention**

**September 2022**

## Introduction

As part of the Internal Audit Plan for 2022/23 for Derbyshire Office of the Police and Crime Commissioner (OPCC) and Derbyshire Police, we have undertaken an audit of the controls and processes in place in respect of Retention. The specific areas that formed part of this review included: Strategy, Management Information and Implementation Plans.

Whilst we completed this audit remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the full scope of work.

We engaged with a number of staff members across the Force and OPCC during the review and are grateful for their assistance during the course of the audit.

## Background

The Head of HR at Derbyshire holds overall responsibility for the management of police officer and staff retention. HR Officers and Admins are responsible for aspects of retention management such as organising exit interviews for leavers, reviewing exit interview summaries, and implementing any actions that have been identified after the conclusion of an exit interview. The HR Shared Service is also responsible for administrative aspects, such as sending a resignation confirmation letter to resigning employees.

The Workforce Planning team within HR are responsible for producing management information in regard to retention at Derbyshire. The Workforce Planning team produce monthly workforce data reports as


well as a variety of other reports such as for individual departments and on specifically requested topics e.g. contact centre staff.

Previously, the Workforce Futures Board was the main board providing strategic direction towards the management of retention and workforce issues, however, this meeting has now mostly been replaced by more specific boards:

- Attraction, Recruitment & Retention Board (ARR);
- Detective Gold Group; and
- Detective Staff Investigator Board.

Forces nationally are currently experiencing difficulties with the retention of police officers in particular, due to high rates of attrition and retirements, although the retention of police staff has also been identified by Derbyshire as a growing problem. This has contributed to difficulties in meeting the Government's Police Uplift Programme target, which overall aims to recruit an additional 20,000 officers, as there is a requirement to backfill any leavers through the duration of the campaign.

## Key Findings

Assurance on adequacy and effectiveness of internal controls for Retention		Priority	Number of Recommendations
	Satisfactory Assurance	1 (Fundamental)	-
		2 (Significant)	1
		3 (Housekeeping)	1

## Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken.

Key control area	July 2022	
	Assessment	Level of issue
<b>Retention Strategy</b>		
Governance Structure	Control effective	No issues noted
Retention Strategies	Control partly effective	Housekeeping
Roles & Responsibilities	Control effective	No issues noted
<b>Management Information</b>		
Management Information Produced	Control effective	No issues noted
Management Information Review & Analysis	Control effective	No issues noted
Decisions Supported by Management Information	Control effective	No issues noted
Horizon Scanning & Benchmarking	Control effective	No issues noted
<b>Implementation Plans</b>		
Robust Implementation Plans	Control effective	No issues noted
Oversight & Monitoring	Control effective	No issues noted
Lessons Learned / Benefits Realisation	N/A	N/A
Staff Leaver Process	Control partly effective	Significant



## Examples of areas where controls are operating reliably

### Strategy

- There is an effective governance structure in place ensuring that there is oversight over the management of the retention of staff and police officers. The Attraction, Recruitment & Retention Board is responsible for providing a clear plan for the management of attraction, recruitment and retention of police officers at Derbyshire in alignment with the National Police Uplift Programme and for maintaining strategic oversight of the Police Officer Retention Workstream. In addition to this, there is a Wellbeing Board in place, responsible for the oversight of a number of key wellbeing workstreams linking into retention of police staff and officers.
- There is a Terms of Reference in place for the Attraction, Recruitment and Retention Board, which first met on 17/05/22 (replacing the Operation Uplift Gold Group) and meets on at least a monthly basis. Our review of minutes found that the meeting frequency was usually around twice a month.
- A variety of guidance documents have been produced which supports the retention of staff and police officers, such as for wellbeing, sleep for shift workers, menopause guidance for managers, and dealing with employee anxiety.
- Roles and responsibilities are clear in regard to the management of retention, and the Exit Interview Policy defines the specific roles and responsibilities for HR staff.
- Derbyshire has recently appointed a Retention Officer after advertising internally. The Retention Officer is responsible for a number of workstreams such as producing a Police Officer

Retention Strategy, producing leavers reports, and targeted variable payments.

- The Force has a People's Strategy in place for 2022-24. The strategy sets out a number of overall priorities which include objectives linked to retention such as:
  - Implementing wellbeing initiatives which genuinely make the workforce feel valued and cared for.
  - Developing innovative ways of rewarding individuals and teams that perform well and display the right behaviours.
  - Creating an environment where continual personal development and growth is 'non-negotiable'.
  - Effectively identifying current and emerging workforce issues and prioritising the delivery of the Police Uplift Programme.

### Management Information

- There is a Workforce Planning team within HR containing a management information function which is responsible for producing management information reports related to workforce planning and issues.
- The Workforce Planning team produce a monthly workforce report for Derbyshire covering areas such as:
  - Abstractions for staff and police officers and the reasons
  - Overall vacancies by rank and supernumerary officers

- Police officer and staff headcount
  - Annual leave remaining
- Departments are assigned a named Workforce Analyst who produces a monthly departmental workforce report which is used for monthly resource planning and identifying trends. Where there are specific trends or issues identified by departments or teams, targeted workforce reports can be requested which identify trends and provide recommendations to resolve the issues.
- Management information reports are provided to the Attraction, Recruitment & Retention Board which meets at least monthly, and more frequently when there is a need. Reports include management information related to leavers, recruitment and individual projects.
- A Police Workforce Composition and Diversity Report is produced on an annual basis which contains benchmarking against national peers. For example, a comparison of the percent change in the police workforce numbers, leavers by route of exit, and long-term sickness demographics at Derbyshire against national figures was included. Activity within the Attraction, Recruitment and Retention Board aims to address some of these findings, such as through the Positive Action workstream.
- A leaver analysis was undertaken on Force data from 2017-2021, comparing the North Division and South Division, including analysis of aspects such as leaver years of service, ethnicity, sickness and reasons for leaving.

## Implementation Plans

- The Detective Gold Group has produced a draft Detective Recruitment & Retention Action Plan. This includes seven workstreams related to retention, which each are assigned a responsible workstream lead and have been prioritised as high, medium or low.
- Review of the draft Detective Recruitment & Retention Action Plan found that the seven actions related to retention were reviewed at the last meeting of the Detective Gold Group in April 2022.
- Audit reviewed the draft Detective Recruitment & Retention Action Plan and confirmed that that actions and implementation plans were underpinned by management information.
- There is a Leavers Procedure and Exit Interview Policy in place which includes a requirement for leavers to be sent an exit questionnaire and the opportunity for an exit interview to be held.
- We carried out testing on a sample of 5 staff and 5 police officer leavers and found that all had been sent a letter confirming the resignation / dismissal by the Shared HR Service Centre. The letter included a link to the exit questionnaire except in one case, which was a dismissal.

## Risk Management

While there is a basically sound system of internal control, there is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.

An overall assessment has been made over the control systems in place for the OPCC and the Force as a whole, however

recommendations that have been raised are directed to one of the specific organisations within **section 04** of this report.

Upon review of the Exit Interview Policy provided, we noted that it was last reviewed in 2015. Discussions with the Head of HR Shared Service found that the Force are currently developing a new process and form to be used which will feed directly into data analytics. Where policies are not reviewed and updated regularly, there is a risk that the policy does not affect the current practice, and this can lead to an inconsistent approach.

The current Exit Interview Policy includes a requirement for line managers to notify the Shared HR Service Centre (SHRSC) of an employee's intent to resign, who then send a confirmation of resignation / dismissal letter which contains a link to an exit questionnaire within it. The exit questionnaire allows the employee to provide basic information and the reasons for their resignation and can also request a more formal exit interview, generally by the line manager.

We reviewed a sample of 10 leavers (five staff and five police officers) and found that in only one case had the employee gone on to complete the exit questionnaire and then request an exit interview. The Exit Interview Policy had been followed in all 10 samples; however, it is notable that only one staff member had completed the questionnaire.

The Force should consider how staff members can be encouraged further to complete the exit questionnaire and later an exit interview, for example by:

- Making the exit questionnaire / interview simpler and quicker for employees to complete.

- Separating the exit questionnaire / interview request from the resignation confirmation letter which may be seen as more of a 'formality' or not fully read.
- Conducting follow-up interviews at a later date with resigned employees who participated with the process to maximise the amount of data gained.
- Contacting resigned employees who did not participate in the process at a later date requesting an exit questionnaire / interview to be completed and / or the reasons for not completing one previously.
- Encouraging line managers to engage more with resigning employees and remind them of the importance of their feedback via the exit questionnaire / interview.

Where employees are not completing exit questionnaires / interviews upon resignation there is a risk that the Force does not fully understand the main resignation reasons and misses important trends (**Rec 4.1**).

The Force has also recently appointed a Retention Officer who is supporting a number of workstreams such as developing a Retention Strategy & Delivery Plan and exploring Targeted Variable Payments (TVPs) for hard to fill and key roles. The Retention Strategy is recognised as a deliverable as part of the Attraction, Recruitment and Retention Board; however, it is still in draft with a deadline of delivery for the 31<sup>st</sup> August 2022.

Retention, and particularly the retention of police officers, has become an increasingly large problem both nationally and at Derbyshire, therefore it is important that a clearly defined strategy and plan is in place. Where there is not a clear strategy and delivery plan in place

there is a risk of conflicting priorities which are not aligned to the strategic objectives and needs of the Force (**Rec 4.2**).

### **Value for Money**

Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

Derbyshire has a management information function within the Workforce Planning team that provide workforce data reports on a monthly basis, and departments are assigned named analysts to provide them with more specific monthly reports.

Review of management information reports found them to be detailed, often including an analysis of individual risks and a number of suggested recommendations or risk mitigation measures. Management information helps to support management in making more informed decisions and targeting actions to address specific trends which can lead to improved VfM.

### **Sector Comparison**

From our experience across our client base, we are seeing pressure on resources and higher service demands have resulted in challenges to the existing control environment. This often results in increased challenges to the decision making process where conflicting priorities exist and need to be balanced with effective risk management.

Reduced resources mean that organisations have to accept a certain degree of risk within processes and systems in place and need to ensure this risk is identified and managed as business as usual.

Improving the retention of police officers is an issue nationwide, with organisations such as the Hertfordshire Police Federation claiming that there is a 'crisis' in recruitment and retention.

Derbyshire were one of four forces that failed to meet the year two target of the National Police Uplift Programme, this links into retention as forces are required to backfill any leavers as well as recruiting the additional officers required. However, the Force is taking action to address this and has developed a framework in order to manage the recruitment and retention of police officers, such as through the Attraction, Recruitment and Retention Board which includes the Police Uplift Programme as a standing item on the agenda, and with the ongoing development of a Retention Strategy and Delivery Plan.

During discussions with the Head of HR it was noted that Derbyshire collaborates with other Forces on recruitment and retention. For example, the Head of HR met with West Yorkshire Police to discuss a re-joiner scheme in January 2022.

## Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Exit Interview Procedure</b></p> <p><i>Observation:</i> According to the Exit Interview Policy, last reviewed in 2015, upon notification of an employee's intent to resign by a line manager, the Shared HR Service Centre (SHRSC) sends a confirmation of resignation letter to the employee, including a link to an exit questionnaire which allows the employee to provide a reason for their resignation and to request an exit interview.</p> <p>We reviewed a sample of 10 leavers (5 staff and 5 police officers) in order to determine whether this procedure had been followed and found:</p> <ul style="list-style-type: none"> <li>1/10 – completed the exit questionnaire and held an exit interview.</li> </ul> <p>Although the procedure has been followed, and all staff were sent a resignation/dismissal</p>	<p>Once the review of the exit questionnaire process has been completed, the Exit Interview Policy should be updated and reviewed on a regular basis e.g. annually.</p> <p>As part of this review, the Force should ensure that consideration is given to how exit questionnaire completion rates can be raised. For example:</p> <ul style="list-style-type: none"> <li>Making it easier for employees to submit the exit questionnaire</li> <li>Separating the request for an exit questionnaire from the</li> </ul>	2	<p>Accepted.</p> <p>The new system has been implemented.</p> <p>This includes adopting all the recommendations in respect of improving completion rates.</p>	<p>31 August 2022</p> <p>Anne McCarthy</p> <p>HR Senior Business Partner</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>letter containing a link to the exit questionnaire, it is notable that only one staff member completed it and requested an exit interview.</p> <p>During discussions with the Head of HR Shared Services, we were informed that the exit questionnaire process is currently being reviewed and updated.</p> <p><i>Potential Risks:</i> The Force is unaware of the reasons for why staff and police officers resign and critical trends are missed, potentially leading to a failure to meet future Operation Uplift targets.</p> <p>Policies are outdated leading to an inconsistent approach to exit interviews.</p>	<p>resignation confirmation</p> <ul style="list-style-type: none"> <li>Asking resigned staff members why an exit questionnaire/interview was not completed</li> </ul>			
4.2	<p><b>Retention Strategy &amp; Delivery Plan</b></p> <p><i>Observation:</i> The Force recently appointed a Retention Officer via an internal advertisement, who is currently responsible for producing a Police Officer Retention Strategy &amp; Delivery Plan.</p> <p>During discussions with the Retention Officer it was noted that the strategy is currently in the draft stage and has not yet been produced.</p>	<p>It should be ensured that the Retention Strategy &amp; Delivery Plan is produced in line with the deadline set for the end of August.</p>	3	<p>Accepted.</p> <p>Initial draft completed and endorsed at the Attraction Recruitment and Retention Board on the 11<sup>th</sup> August 22. Final strategy doc will now be published</p>	<p>31<sup>st</sup> August 2022</p> <p>Anne McCarthy</p> <p>Senior HR Business Partner</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>It is noted that the Retention Officer has only recently been appointed, in April 2022, and has been focusing on other projects, such as targeted variable payments. The Retention Strategy &amp; Delivery Plan is currently expected to be completed by the end of August.</p> <p><i>Potential Risk:</i> The Force does not have a retention strategy leading to an inconsistent approach in managing retention.</p>				

## A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Phil Mason, Head of Human Resources Anne McCarthy, Senior Business Partner – Strategic HR Projects Mazhar Ahmad, Head of HR Service Centre
<b>Internal Audit Team:</b>	David Hoose, Partner Mark Lunn, Internal Audit Manager Connor Wood, Internal Auditor
<b>Finish on Site / Exit Meeting:</b>	6 <sup>th</sup> July 2022
<b>Draft report issued:</b>	1 <sup>st</sup> July 2022
<b>Management responses received:</b>	9 <sup>th</sup> August 18 <sup>th</sup> August 2022
<b>Final report issued:</b>	2 <sup>nd</sup> September 2022

## Scope and Objectives

Our audit considered the following risks relating to the area under review:

### Strategy

- There is an effective governance structure in place to ensure that the retention of staff and police officers has effective oversight and focus.
- The Force has effective strategies in place for the management of both staff and police officer retention.
- Roles and responsibilities for the management of staff retention have been clearly assigned and are understood.

### Management Information

- Appropriate management information is produced to allow the Force to analyse and forecast key metrics in regard to the workforce.
- The analysis of management information takes place and is presented at the relevant governance forums to ensure that decisions / actions / implementation plans in relation to retention are underpinned with accurate data.
- There is appropriate review and analysis of the current workforce to review the risks the Force are facing and appropriate risk mitigation actions in place to address these.
- The Force proactively gathers relevant data that supports decision making in regard to specific retention and associated recruitment actions.



- Effective horizon scanning and benchmarking takes place and this feeds into retention decision making.

#### Implementation Plans

- The Force has robust implementation plans in place that are aligned to strategic objectives and the future needs of the organisation.
- The Force has effective oversight and monitoring to ensure the delivery of implementation plans take place on time.
- Lessons learned / benefits realisation reviews of implementation plans take place and are factored into future implementation plans.
- Staff leaver process is robust and consistent so that feedback gleaned can be utilised in future decision making.

The objectives of our audit were to evaluate the adequacy and effectiveness of the Retention system with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Retention process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

We are only able to provide an overall assessment on those aspects of the Procurement & Contract Management process that we have

tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.



Police & Crime Commissioners – Derbyshire, Leicestershire,  
Lincolnshire, Nottinghamshire and Police, Fire & Crime  
Commissioner Northamptonshire

## **FINAL Internal Audit Report**

**Collaboration – *EMSLDH* Governance 22/23**

**September 2022**

## Introduction

As part of the Internal Audit Plan for 2022/23 for the Offices of the Police and Crime Commissioners Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire; the Office of the Police, Fire and Crime Commissioner of Northamptonshire; and, the respective Police Forces, it was agreed that an element of internal audit resource would be spent on regional issues or the collaboration units.

Since 2015/16 all Forces in the East Midlands have agreed to allocate internal audit time to provide assurance over the collaborative arrangements that are in place across the region. Over the first two years Internal Audit have undertaken high level reviews of the governance arrangements within most of the regional collaboration units. A change of approach was made in 2018/19 when thematic reviews were carried out by audit and were carried out across a sample of regional collaboration units. The approach for 2022/23 has been for more targeted audits within each collaboration unit. Through review of each unit's risk register a focused risk-based approach to the Collaboration audits has been planned.

As part of this review, we have carried out an audit of the process in place within the East Midlands Special Learning & Development Hub Unit (EMSLDH) in respect of Governance.

Whilst we had to complete this audit remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work.

We engaged with a number of staff members across the collaboration unit during the review and are grateful for their assistance during the course of the audit.

## Background

EMSLDH is a specialist learning and development hub, which supports the transformation of professional policing practice. It consists of thematic leads for initial police learning and pathways into policing, crime and criminal justice, ICT and digital innovation. Since the original inception in 2013, namely East Midland Collaboration Human Resources Services Learning and Development (EMCHRS L&D), EMSLDH remains the largest police Learning and Development collaboration. The collaboration provides strategic learning and development support to Derbyshire, Leicestershire, Northamptonshire and Nottinghamshire.

There was a significant change, as agreed by Chief Officer Teams across the Region, which commenced on the 1<sup>st</sup> April 2019. Due to the Police Uplift and increases to precept funding leading to a significant increase in volume, it was agreed the most efficient and effective way to deliver this Learning and Development was via local management. EMSLDH provide specialist L&D support to the Region; this includes the provision of the Regional Specialist Crime Skills Programme.

There is a governance structure in place for the collaboration unit which incorporates a number of key meetings/boards. These include

the Regional Collaboration Governance Board Meetings such as the Regional Learning and Development (L&D) Management Board, Regional DCC Board, and the Regional HR Meeting in addition to national meetings such as the National Police Education Qualification Framework (PEQF) Board. The Head of EMSLDH has oversight over these governance forums including national meetings, regional forums, those within Derbyshire, Leicestershire, Nottinghamshire, and Northants, in addition to the Regional Thematic leads and Regional Business Support Manager

## Key Findings

Assurance on adequacy and effectiveness of internal controls for EMSLDH Governance	
	Significant Assurance

Priority	Number of Recommendations
1 (Fundamental)	-
2 (Significant)	-
3 (Housekeeping)	2

## Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken.

Key control area	May 2022	
	Assessment	Level of issue
Section 22 agreement	Control effective, except for	Housekeeping Issues
Policies and procedures	Control effective	No issues noted
Governance forums	Control effective	No issues noted
Roles and responsibilities	Control effective, except for	Housekeeping Issues
Decision-making process	Control effective	No issues noted
Oversight and scrutiny of performance	Control effective	No issues noted

## Examples of areas where controls are operating reliably

- The EMSLDH's governance framework is supported by policies and procedures including the Evaluation procedure, External Speaker policy, Quality Assurance procedure, Trainer Observation procedure, and Risk Management policy. All of these policies have been reviewed in the recent 12 months other than the External Speaker policy which was being reviewed and edited at the time of the review. Each policy and procedure document which was reviewed outlines the roles and responsibilities of all relevant staff to provide the decision-making and delegation framework for each policy and procedure.
- We confirmed that the EMSLDH's decisions are made in accordance with the governance framework. This was evidenced through the minutes and action logs for the Regional L&D Board, the Strategic PEQF Partnership meeting, East Midlands L&D quarterly meeting and the Strategic Partnership Governance meeting. Each meeting's minutes provides the governance structure by stating the Chair of the meeting and outlining the decision-making process of each meeting through to the allocation of actions.
- We noted that the terms of reference, agendas, meeting minutes and logs are created for all EMSLDH governance forums where the Chair of the meeting approves the agenda, minutes and actions of the meetings.
- The EMSLDH Organisation Governance chart outlines the role of senior officers within the Collaboration.

## Risk Management

EMSLDH has identified one risk related to Governance within its Risk Register dated March 2022.

- Ofsted - From April 2021, Ofsted (The Office for Standards in Education) will become the body responsible for the inspection of apprenticeship training at all levels, taking on responsibility for the inspection of Level 6 and 7 apprenticeship training, in addition to its existing responsibilities at Level 2 to 5.

This identified risk has been assigned to the Head of L&D and Regional Compliance, the Quality and Qualification Delivery Manager, and the Thematic Lead for Initial Learning. There is a management action related to the governance implications of this risk:

- *The judgement is about how leaders, managers and those responsible for governance ensure that the education and training delivered by the provider have a positive impact on all learners. By March 2021.*

From our testing we reviewed the EMSLDH Regional Board Ofsted Report from 2021 and confirmed that the governance of the apprenticeship programme was included in its key findings where improvements were identified. These were listed in the risk register as Ongoing.

Following review of the Regional Board Business Review report, Ofsted report and Ofsted update, and the PEQF reports for 2021 and 2022 we found that there is appropriate oversight and scrutiny of the collaboration unit performance. However, it was noted that there was a lack of oversight of the collaboration unit by more senior levels, such as the PCC. We have not raised a recommendation within this report as a wider audit on Collaboration Performance Management is due to take place in 2022/23 and this will be reviewed and reported on via that audit report.

## **Sector Comparison**

From our experience across our client base, we are seeing pressure put on resources and finances. These restraints have placed even greater pressure to secure value for money in key activities.

A common area of weakness across our client base is the lack of adherence to the timescale of review and update of policies and procedures supporting the governance framework. It was noted with EMSLDH that the various policies and procedures that support the governance framework were all reviewed within their designated timescales, last 12 months in most cases, months making this a strength within the collaboration.

Moreover, the unit were operating best practice across its governance forums with dedicated terms of reference and recording meeting minutes and actions.

## Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Section 22 Agreement</b></p> <p>Section 22 of the Police Act agreement enables chief officers of police and local policing bodies as defined in that Act and other parties to make an agreement about the discharge of functions by officers and staff where it is in the interests of the efficiency or effectiveness of their own and other police force areas. It is therefore the underpinning legal documents that sets out how the East Midlands Police Forces set up collaborative units.</p> <p>Following review of the Section 22 Collaboration Agreement from 2020 we confirmed that it includes sections on governance and accountability, and financial contribution. Decision-making, legal duties, workforce arrangements, and performance and reporting are all</p>	<p>EMSLDH should consider adding sections to the Section 22 Collaboration Agreement in respect of decision-making, legal duties, workforce arrangements, and performance and reporting where applicable.</p> <p>For those areas where it is not feasible to dedicate an explicit section on each, it would be beneficial to include additional details on them in the Agreement.</p>	3	EMSLDH should consider whether specific sections should be added to the Section 22 Collaboration Agreement in respect of decision-making, legal duties, workforce arrangements, and performance and reporting or detailed as such within the agreement.	Paper to be tabled at the Regional L&D Management Board on the 4 <sup>th</sup> November 2022 for consideration



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>included within other sections of the agreement but there is no explicit section committed to them.</p> <p>Through discussion with management we were informed that the Section 22 agreement was reviewed every three years and these changes should be made at the next review.</p> <p><i>Risk: Not all elements are appropriately discussed in the Section 22 Agreement and will be inadequately addressed by the unit.</i></p>				
4.2	<p><b>Decision-Making Responsibilities</b></p> <p>The EMSLDH Organisation Governance Chart for senior management details the various roles that are carried out across the Unit.</p> <p>However, our review highlighted that there is a lack of clarity on the decision-making responsibilities for each of the roles that are documented within the chart.</p>	<p>Decision-making responsibilities should be added to the EMSLDH Organisation Governance Chart for senior management.</p>	3	<p>We support this recommendation and will be providing a paper to the Regional L&amp;D Management Board on the 4<sup>th</sup> November 2022 to include decision making responsibilities as part of our Organisation</p>	<p>Paper to be tabled at the Regional L&amp;D Management Board on the 4<sup>th</sup> November 2022 for Agreement.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Therefore, it is unclear what decision making is able to be carried out by the unit.</p> <p><i>Risk: Decision-making responsibilities are not effectively communicated across the unit and the decision-making process is inefficient and costly for the unit.</i></p>			Governance Structure.	

## A1 Audit Information

Audit Control Schedule	
<b>Lead Chief Officer(s):</b>	Helen King, Northamptonshire OPFCC, Chief Finance Officer
<b>Chief Officer(s):</b>	<p>Andrew Dale, Derbyshire OPCC, Chief Finance Officer</p> <p>Simon Allsop, Derbyshire Police, Chief Finance Officer</p> <p>Paul Dawkins, Leicestershire Joint Force &amp; OPCC, Chief Finance Officer</p> <p>Kira Hughes, Interim OPCC Chief Finance Officer</p> <p>Vaughan Ashcroft, Northamptonshire Police, Chief Finance Officer</p> <p>Mark Kimberley, Nottinghamshire Police &amp; Interim OPCC, Chief Finance Officer</p>
<b>Key Client Contact(s):</b>	Peter Ward, Head of EMSLDH
<b>Internal Audit Team:</b>	<p>David Hoose, Partner</p> <p>Mark Lunn, Internal Audit Manager</p> <p>Holly Campbell, Internal Auditor</p>

<b>Finish on Site / Exit Meeting:</b>	26 <sup>th</sup> May 2022
<b>Draft report issued:</b>	29 <sup>th</sup> July 2022
<b>Management responses received:</b>	8 <sup>th</sup> September 2022
<b>Final report issued:</b>	9 <sup>th</sup> September 2022

### Scope and Objectives

The audit will assess the efficiency and effectiveness of internal controls in operation in respect of the Collaboration Units Asset Management. Areas for improvement identified will then be brought to the attention of management and advice will be issued on how particular problems may be resolved and controls reviewed to improve future performance.

The audit objectives are to provide assurance that:

- There is a Section 22 agreement in place to deliver the EMSLDH that sets out, amongst other elements, the following:
  - Decision-making and governance framework;
  - Accountability;
  - Financial / funding;
  - Workforce arrangements;
  - Legal duties; and
  - Performance and reporting.
- The corporate governance framework is supported by policies and procedures, such as a decision making

framework and scheme of delegation and that these are appropriately communicated and monitored for compliance.

- The governance forums within the collaboration unit have clear terms of reference, agendas, meeting minutes or action logs.
- The roles and responsibilities of senior officers and staff within the Collaboration unit are clearly defined, particularly regarding their decision making responsibilities.
- Decisions are made in accordance with the governance framework in a clear and transparent manner, supported by the appropriate levels of relevant and timely information.

- There is appropriate oversight and scrutiny of the collaboration unit performance by the Forces that make up the collaboration unit, including annual reports against the objectives set out in the unit's strategy/business plan.

We are only able to provide an overall assessment on those aspects of the EMSLDH Governance that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

We are only able to provide an overall assessment on those aspects of the EMSLDH Governance process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.



Police & Crime Commissioners Derbyshire, Leicestershire,  
Lincolnshire, Nottinghamshire and Police, Fire & Crime  
Commissioner Northamptonshire

## **FINAL Internal Audit Report**

**Collaboration – EMSOU Business Continuity**

**September 2022**

## Introduction

As part of the Internal Audit Plan for 2022/23 for the Offices of the Police and Crime Commissioners Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire; the Office of the Police, Fire and Crime Commissioner of Northamptonshire; and, the respective Police Forces, it was agreed that an element of internal audit resource would be spent on regional issues or the collaboration units.

Since 2015/16 all Forces in the East Midlands have agreed to allocate internal audit time to provide assurance over the collaborative arrangements that are in place across the region. Over the first two years Internal Audit have undertaken high level reviews of the governance arrangements within most of the regional collaboration units. A change of approach was made in 2018/19 when thematic reviews were carried out by audit and were carried out across a sample of regional collaboration units. The approach for 2022/23 has been for more targeted audits within each collaboration unit. Through review of each unit's risk register a focused risk-based approach to the Collaboration audits has been planned.

As part of this review, we have carried out an audit of the process in place within the East Midlands Special Operations Unit (EMSOU) in respect of Business Continuity.

Whilst we had to complete this audit almost entirely remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work. We engaged with a number of staff members across the unit during the review and are grateful for their assistance during the course of the audit.

## Background

The East Midlands Special Operations Unit (EMSOU) is one of the oldest collaborations and is the largest of them in terms of budget and staffing. It was brought together as a five-force collaboration between Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, and Nottinghamshire Police. Whilst it has four main units that sit within the EMSOU structure (Major Crime, Serious Organised Crime, Forensic Services and Special Branch) the unit has expanded over time and now houses multiple capabilities that are provided to the Forces in region.

The staffing of EMSOU is provided by each of the five forces involved in the collaboration, with staff and officers still being employed by their home force and salary costs only being reimbursed for individuals within the Centrally Funded Team. All police officers involved in the Unit continue as sworn constables of their home force and remain under their direction and control, regardless of their place of work.

EMSOU clearly outline the roles and responsibilities of the Risk and Assurance Board, business continuity coordinator, departmental continuity leads, business continuity plan owners and writers, initial assessors and crisis management team, and the departmental crisis management teams are outlined in its Business Continuity Roles and Responsibilities document. In addition, Business Continuity Plans are included in the quarterly Risk Assurance and Compliance meeting's agenda and action log where all the Forces are invited to attend for discussion.

## Previous recommendations

We have carried out a follow up audit of the EMSOU Business Continuity review conducted as part of the 2019/20 internal audit plan to confirm that previous recommendations for improvements to the control framework have been embedded. The recommendations and our findings are documented in the table below:


Reference from 19/20 Report	Recommendation Details	Audit Finding – May 2022	Outcome (See Section 4)
3.1	<p><u>Policies and procedures</u></p> <p>The EMSOU SOC &amp; EMCHRS OHU should formally document where responsibility for business continuity lies within the unit.</p> <p>The Collaboration Units should consider adopting their own business continuity policy that align to the Forces in the region and including the roles and responsibilities within this. Alternatively, they could adopt a Force Policy and amend the responsibilities for the unit.</p>	<p>We reviewed the Business Continuity Roles and Responsibilities document and confirmed that the roles and responsibilities are clearly outlined for the EMSOU Risk and Assurance Board, EMSOU business continuity coordinator, departmental business continuity leads, business continuity plan owners, business continuity plan writers, initial assessors, crisis management team (CMT), divisional/departmental crisis management teams, EMSOU crisis management team and the recovery management team. These documents are also available on the shared drive, and this was confirmed with screenshots.</p>	Implemented

Reference from 19/20 Report	Recommendation Details	Audit Finding – May 2022	Outcome (See Section 4)
3.2	<p><u>Business Continuity Plans</u></p> <p>EMSOU should ensure that BC Plans across the unit are in place and up to date.</p> <p>Once the Plans are up to date the unit should ensure that they are regularly reviewed and updated, it should be considered that the Risk, Assurance &amp; Compliance Meeting are provided with oversight to ensure that the review and updates take place.</p>	<p>We confirmed that all business continuity plans across the unit are in place and have been reviewed in the recent 12 months.</p> <p>We confirmed that business continuity and contingency planning testing actions and recommendations are included on the agenda for the risk, assurance and compliance meeting from April 2022 and January 2022. The action log for the risk, assurance and compliance meeting was evidenced where the actions arising from business continuity and contingency include an ongoing BCP being put together, lessons learned being fed into the current BCPs and the national business continuity forum strategy group being in consultation. Issues discussed at the regional board are brought back and communicated to the relevant EMSOU SOC to query if it is relevant.</p>	<p>Implemented</p> <p>Implemented</p>
3.3	<p><u>Business Continuity Plan Testing</u></p> <p>EMSOU SOC, EMCJS and EMCHRS OHU should carry out testing/exercising of all Business Continuity Plans on a regular basis to ensure they remain fit for purpose.</p> <p>Consideration should be given for the Force BC Managers to assist all the collaboration units with appropriate tests of their plans e.g. desktop-based exercises.</p>	<p>Our testing noted that there is a lack of testing/exercising of all BCPs on a regular basis.</p>	<p><b>Not Implemented</b></p>



Recommendation Reference from 19/20 Report	Recommendation Details	Audit Finding – May 2022	Outcome (See Section 4)
3.4	<p><u>Regional East Midlands Business Continuity Meeting</u></p> <p>All of the regional collaboration units should be invited to attend or dial in to, the Regional East Midlands Business Continuity Meeting.</p> <p>The collaboration units should ensure they are represented at this meeting to ensure their Business Continuity approaches are aligned with the Forces and other units in the region.</p>	<p>We reviewed the BC meeting minutes where we confirmed that attendees from all collaboration units are invited.</p>	Implemented
3.5	<p><u>Covid-19</u></p> <p>At the appropriate time each collaboration unit should carry out a review of the business continuity actions taken during the Covid-19 Pandemic and ensure all business continuity plans are updated to reflect the findings from the review.</p>	<p>All EMSOU SOC BC plans were recently reviewed and revised Nov/Dec 21 to ensure all learning actions from covid are considered and the plans were updated accordingly.</p>	Implemented
3.6	<p><u>Loss of Staff Inclusion in Business Continuity Plans</u></p> <p>Each Collaboration Unit should consider having its own business continuity plan that covers loss of staff.</p>	<p>We reviewed the EMSOU SOC BCP and confirmed that loss of staff was covered.</p>	Implemented

## 01. Key Findings

Assurance on adequacy and effectiveness of internal controls for EMSOU Business Continuity	
	<b>Satisfactory Assurance</b>

Priority	Number of Recommendations
<b>1 (Fundamental)</b>	-
<b>2 (Significant)</b>	1
<b>3 (Housekeeping)</b>	-

### Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken. A comparison to the previous audit of business continuity is provided:

Key control area	June 2021		May 2022	
	Assessment	Level of Issue	Assessment	Level of issue
Roles and responsibilities	Control effective, except for	Significant Issues	Control effective	No issues noted
Policies and procedures	Control effective	No issues noted	Control effective	No issues noted
Business Continuity Plans	Control effective, except for	Significant Issues	Control effective	No issues noted
Business Continuity Test Plans	Control effective, except for	Significant Issues	Control effective, except for	Significant Issues
Continuous improvement and lessons learnt	Control effective, except for	Housekeeping Issues	Control effective	No issues noted
Monitoring and reporting	Control effective, except for	Housekeeping Issues	Control effective	No issues noted

## Examples of areas where controls are operating reliably

- We reviewed the Business Continuity Roles and Responsibilities document and confirmed that the roles and responsibilities are clearly outlined for the EMSOU Risk and Assurance Board, EMSOU business continuity coordinator, departmental business continuity leads, business continuity plan owners, business continuity plan writers, initial assessors, crisis management team (CMT), divisional/departmental crisis management teams, EMSOU crisis management team and the recovery management team. These documents are also available on the shared drive, and this was confirmed with screenshots.
- EMSOU's Business Continuity Management Strategy and Business Continuity Plan Completion Guide are effective policy and procedure documents to ensure a consistent and effective approach to Business Continuity. Both of these documents have been reviewed in the recent 12 months.
- There is clear identification of EMSOU's eight critical functions which are outlined in the Business Continuity Plans.
- There are effective Business Continuity Plans in place. We noted that the BCP for EMSOU SOC version detailed advice on how to activate the BCP, facilitate the decision-making process following an incident, analyse the impact at the time, recover the critical functions, relocate staff, and set up recovery facilities, and manage the resources and equipment to recover all critical functions. Section 3 of the plan outlines an introduction to the BCM recovery team, how to activate the BCM recovery team, the action upon notification of an incident, information for recovery team members and the names, roles, responsibilities and contact numbers for the recovery team personnel.

- We confirmed that business continuity and contingency planning testing actions/recommendations are included on the agenda for the risk, assurance and compliance meeting from April 2022 and January 2022. The action log for the risk, assurance and compliance meeting was evidenced where the actions arising from business continuity and contingency include an ongoing BCP being put together, lessons learned being fed into the current BCPs and the national business continuity forum strategy group being in consultation. Issues discussed at the regional board are brought back and communicated to the relevant EMSOU SOC to query if it is relevant.
- There are effective systems in place to drive continuous improvement and lessons learnt following unplanned events. We reviewed the action log for the Risk, Assurance and Compliance meeting in January 2021 where lessons learned are being fed into the current Business Continuity Plans. We also confirmed that following a recent national airwave outage there was effective systems in place to communicate the issue, mitigating circumstances, issues identified and the outcome of the issue via email across the Unit. It was also noted that the Business Continuity Plan is being amended to reflect this impact on the unit to ensure that the plans are up to date.

## Risk Management

Overall, business continuity in EMSOU is deemed effective with the exception of one recommendation.

It is best practice to regularly carry out tests of business continuity plans to ensure they remain fit for purpose and effective should they need to be activated. To ensure business continuity plans are adequate and effective, regular testing should be conducted so that

any errors or inconsistencies within the plans are corrected and improvements can be made. Therefore, all collaboration unit plans should have test plans put in place to ensure the Business Continuity plans are regularly scrutinised.

### **Value for Money**

Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

Audit recommendations detailed in Section 04 below seek to address weaknesses in the control environment but also to improve the efficiency and effectiveness of the existing control environment.

One area that the BC Managers of each Force might consider is whether a consistent format of BC Plan could be adopted by all Forces in the region, which would allow for efficiency when completing the collaboration BC plans. Moreover, it would assist in comparing and reviewing areas of BC plans that place reliance on other areas/Forces. Although it is recognised that there are complexities and difficulties in achieving this.

### **Sector Comparison**

From experience across our client base, we are seeing pressure on resources and higher service demands have resulted in challenges to the existing control environment. This often results in increased challenges to the decision-making process where conflicting priorities exist and need to be balanced with effective risk management.

Business continuity is fundamental to public sector organisations in delivering their statutory requirements and it is therefore important that public sector organisations have effective business continuity functions in place. EMSOU are in line with best practice whereby its business continuity plans are subject to annual reviews and are regularly discussed at the quarterly Risk Assurance and Compliance meetings.

## 02. Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Business Continuity Test Plans</b></p> <p>From our testing, we noted that there was a lack of regular testing to ensure that the Business Continuity Plans remain fit for purpose. We found that there were plans for EMSOU to be included on the Nottinghamshire testing schedule for business continuity however, there have been significant delays in this being implemented.</p> <p>As per the previous recommendation 3.3, the lack of a testing schedule for business continuity plans was a previously identified weakness.</p> <p><i>Risk: The Business Continuity Plans are not fit for purpose.</i></p>	<p>EMSOU should introduce a testing schedule whereby its business continuity plans will undergo regular testing.</p>	2	<p>It was originally intended that EMSOU BC tests would fall within the Nottinghamshire Police calendar. However, due to workload this has not been possible. Going forward EMSOU will now set up its own testing calendar with assistance from Nottinghamshire Police. This will ensure that all areas of EMSOU business are routinely tested. Each HOD &amp; the Head of Unit will be consulted during the testing calendar.</p>	<p>BSU Manager – Calendar to be in place by end of Oct 2022.</p>

## A1 Audit Information

Audit Control Schedule	
<b>Lead Chief Officer(s):</b>	Helen King, Northamptonshire OPFCC, Chief Finance Officer
<b>Chief Officer(s):</b>	Andrew Dale, Derbyshire OPCC, Chief Finance Officer
	Simon Allsop, Derbyshire Police, Chief Finance Officer
	Paul Dawkins, Leicestershire Joint Force, Chief Finance Officer
	Kira Hughes, OPCC, Interim Chief Finance Officer
	Sharon Clark, Lincolnshire Police, Chief Finance Officer
	Julie Flint, Lincolnshire OPCC, Chief Finance Officer
	Vaughan Ashcroft, Northamptonshire Police, Chief Finance Officer

	Mark Kimberley, Nottinghamshire Police Chief Finance Officer & Interim OPCC Chief Finance Officer
<b>Key Client Contact(s):</b>	Paul Gibson, Head of EMSOU
<b>Internal Audit Team:</b>	David Hoose, Partner
	Mark Lunn, Internal Audit Manager Holly Campbell, Internal Auditor
<b>Finish on Site / Exit Meeting:</b>	1 <sup>st</sup> June 2022
<b>Draft report issued:</b>	5 <sup>th</sup> August 2022
<b>Management responses received:</b>	8 <sup>th</sup> September 2022
<b>Final report issued:</b>	9 <sup>th</sup> September 2022

### Scope and Objectives

The audit will assess the efficiency and effectiveness of internal controls in operation in respect of the Collaboration Units Business Continuity arrangements. Areas for improvement identified will then be brought to the attention of management and advice will be issued on how particular problems may be resolved and controls reviewed to improve future performance.

The audit objectives are to provide assurance that:

- Recommendation raised in the 2019-20 Internal Audit Report have been addressed and embedded

#### *Roles and Responsibilities*

- Roles and responsibilities in respect of Business Continuity across the unit are clearly defined, with officers and staff having a full understanding and accountability for associated processes.

#### *Policies and Procedures*

- Effective policies and procedures are maintained and regularly reviewed to ensure a consistent and effective approach to Business Continuity is applied across the unit.
- There is clear identification of critical functions within the unit.

#### *Plans*

- There are effective Business Continuity Plans to ensure that incidents are effectively escalated and emergency action is mobilised where required.

#### *Business Continuity Test Plans*

- The Business Continuity Plans are subject to regular testing to ensure they remain fit for purpose

#### *Continuous Improvement and Lessons Learnt*

- The delivery of testing plans, associated outcomes and unplanned events is monitored with systems embedded to drive continuous improvement and lessons learnt. Where issues are identified these are appropriately escalated.

#### *Monitoring and Reporting*

- There is regular monitoring and reporting of business continuity processes and there is opportunity for effective challenge and scrutiny.

The objectives of our audit were to evaluate the adequacy and effectiveness of the business continuity arrangements with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the business continuity process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.



Police & Crime Commissioners – Derbyshire, Leicestershire,  
Lincolnshire, Nottinghamshire and Police, Fire & Crime  
Commissioner Northamptonshire

## **FINAL Internal Audit Report**

**Collaboration – EMSOU Risk Management**

**September 2022**



## Introduction

As part of the Internal Audit Plan for 2022/23 for the Offices of the Police and Crime Commissioners Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire; the Office of the Police, Fire and Crime Commissioner of Northamptonshire; and, the respective Police Forces, it was agreed that an element of internal audit resource would be spent on regional issues or the collaboration units.

Since 2015/16 all Forces in the East Midlands have agreed to allocate internal audit time to provide assurance over the collaborative arrangements that are in place across the region. Over the first two years Internal Audit have undertaken high level reviews of the governance arrangements within most of the regional collaboration units. A change of approach was made in 2018/19 when thematic reviews were carried out by audit and were carried out across a sample of regional collaboration units. The approach for 2021/22 has been for more targeted audits within each collaboration unit. Through review of each unit's risk register a focused risk-based approach to the Collaboration audits has been planned.

As part of this review, we have carried out an audit of the process in place within the East Midlands Special Operations Unit (EMSOU) Serious Organised Crime (SOC) in respect of Risk Management.

Whilst we had to complete this audit almost entirely remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work.

We engaged with a number of staff members across the unit during the review and are grateful for their assistance during the course of the audit.


## Background

The East Midlands Special Operations Unit (EMSOU) is one of the oldest collaborations and is the largest of them in terms of budget and staffing. It was brought together as a five-force collaboration between Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, and Nottinghamshire Police. Whilst it has four main units that sit within the EMSOU structure (Major Crime, Serious Organised Crime, Forensic Services and Special Branch) the unit has expanded over time and now houses multiple capabilities that are provided to the Forces in region.

The staffing of EMSOU is provided by each of the five forces involved in the collaboration, with staff and officers still being employed by their home force and salary costs only being reimbursed for individuals within the Centrally Funded Team. All police officers involved in the Unit continue as sworn constables of their home force and remain under their direction and control, regardless of their place of work.

EMSOU SOC manage their risks in a departmental and strategic risk register approach. The department's Support Manager is responsible for collating the risk updates from each risk owner for both the department risk register and its High Risk register in separate Excel documents. The EMSOU SOC High-Risk register is reviewed on a quarterly basis internally by the EMSOU SOC Support Officer and at the Risk Assurance and Compliance (RAC) meeting. The RAC meetings involve all Force risk managers and provide the opportunity to discuss risks in their registers and mitigating actions.

## Key Findings

Assurance on adequacy and effectiveness of internal controls for EMSOU Risk Management	
	Satisfactory Assurance

Priority	Number of Recommendations
1 (Fundamental)	-
2 (Significant)	1
3 (Housekeeping)	1

### Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken.

Key control area	May 2022	
	Assessment	Level of issue
Policies and procedures	Control effective, except for	Housekeeping Issues
Responsibilities	Control effective	No issues noted
Management of risks	Control effective, except for	Housekeeping Issues
Risk registers	Control not effective	Significant Issues
Review of risk register	Control effective	No issues noted

Key control area	May 2022	
	Assessment	Level of issue
Risk mitigation actions	Control effective	No issues noted
Oversight and reporting	Control effective	No issues noted
Alignment of registers	Control effective	No issues noted
Risks shared with the Force	Control effective	No issues noted

### Examples of areas where controls are operating reliably

- We reviewed the risk management policy for EMSOU ROCU which is relevant to SOC. The policy was last reviewed in March 2021 by The Head of Finance and it includes the roles and responsibilities for the senior management team, heads of departments and directorate heads, and risk owners. The processes for identifying, reporting and evaluating risk are effectively outlined in the policy.
- Through discussion with risk owners, we confirmed that their responsibility for risk in terms of supporting the overall risk management process and their appointed risks are understood.
- The EMSOU ROCU risk register is subject to regular review as it is reviewed on a quarterly basis. The quarterly discussions of the risk registers are included on the Risk Assurance and Compliance (RAC) agendas and action logs for the meetings in January and April 2022 to review EMSOU ROCU's High Risk Register. In addition, we reviewed email trails between the

Support Manager and the risk owners whereby updates are requested from the risk owners for an additional level of review prior to the quarterly meetings.

- EMSOU ROCU's risk registers are routinely shared with Force risk managers through the quarterly RAC meeting where we confirmed that each Force is invited to attend these meetings.

## Risk Management

Overall risk management within the EMSOU SOC unit is deemed as limited with some housekeeping and significant issues being noted.

EMSOU ROCU's Risk Management Policy includes the SOC team but is not specific to the unit alone. The policy defines risk, outlines ROCU's approach to risk management and who is responsible for it. The process to identify, report and evaluate risk is also included in the policy. As outlined in recommendation 4.1, our testing noted that the policy was not reviewed in the recent 12 months and also does not include the process for the allocation of risk owners.

It was noted that EMSOU SOC do not manage their own risk register and collate their risks within EMSOU ROCU's risk register. This creates limitations in certain risk management controls for EMSOU SOC specifically, including procedures to ensure that risks are identified, assessed and recorded effectively, and the control of a risk register being in place.

## Value for Money

Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

As outlined in the Sector Comparison, it was noted that EMSOU ROCU use Excel to manage its risk management information where other Forces utilise risk management software. Although this bears an initial outlay of investment to introduce the software, in the long-

term the use of software can enhance the efficiencies of the unit's risk management process in terms of time and capital resources.

## Sector Comparison

From our experience across our client base, we are seeing pressure on resources and higher service demands have resulted in challenges to the existing control environment. This often results in increased challenges to the decision-making process where conflicting priorities exist and need to be balanced with effective risk management.

Many similar organisations to EMSOU utilise risk management software to capture, manage and report upon its risks such as the Orchid software package for the recording and managing of risk. It was noted that EMSOU use Excel to store and manage its risk management information.

We also noted that risk appetite is usually covered in risk policies where a target score or acceptable score is incorporated into risk registers to enhance the management of risks. EMSOU SOC do not currently have this implemented and, as a result, this has been included as a recommendation.

## Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
4.1	<p><b>Risk Management Policy</b></p> <p>We reviewed the risk management policy which was last reviewed in March 2021 by the Head of Finance and noted that this policy has not been reviewed in the recent 12 months.</p> <p>In addition, we found that the process for assigning risk owners is not explicitly outlined in the policy. Moreover, as referred to above it is unclear what the expectations is in regard to 'departmental risk registers' across the EMSOU Unit.</p> <p>Furthermore, it was noted that the process for the escalation of departmental risks could have greater clarity in the policy.</p>	<p>EMSOU should review its Risk Management policy and include additional detail to the policy about the process of the allocation of risk owners.</p> <p>The policy should also be updated to clearly state the risk registers that should be in place and how risk registers should be aligned across the unit. In addition, there should be greater detail added to the policy in regard to the process for the escalation of</p>	2	<p>A) The Risk Management Policy has now been updated to include the allocation of risk owner's procedure. See section 5.5</p> <p>B) Section 1.3 has been added to the policy to identify which Risk Registers are required</p> <p>C) The escalation process is outlined in Section 7.2</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<i>Risk: The Risk Management policy contains outdated information, and the process of allocating risk owners is not consistent across the unit.</i>	departmental risks.			
4.2	<p><b>Risk Appetite</b></p> <p>We noted that EMSOU SOC do not have a clearly defined risk appetite within their Risk Policy. A defined risk appetite would allow the unit to incorporate an acceptable/target score into their risk registers which in turn would provide greater clarity on how the unit is effectively managing its identified risks</p> <p>Any approach would have to be done in alignment with the five forces, however the opportunity to implement this should be explores.</p> <p><i>Risk: EMSOU do not manage its risks appropriately and mitigating controls are ineffective in reducing the Force's risk levels.</i></p>	EMSOU should discuss with the Forces how they could approach risk appetite.	3	<p>This has been discussed with the Risk Manager at Leics Police, who lead on Risk as per the S22 agreement.</p> <p>It felt that there should not be an acceptable risk appetite level as this may mean that risks are not controlled appropriately or accordingly.</p>	Complete

## A1 Audit Information

Audit Control Schedule	
<b>Lead Chief Officer(s):</b>	
<b>Chief Officer(s):</b>	<p>Andrew Dale, Derbyshire OPCC, Chief Finance Officer</p> <p>Simon Allsop, Derbyshire Police, Chief Finance Officer</p> <p>Paul Dawkins, Leicestershire Joint Force &amp; OPCC, Chief Finance Officer</p> <p>Sharon Clark, Lincolnshire Police, Chief Finance Officer</p> <p>Julie Flint, Lincolnshire OPCC, Chief Finance Officer</p> <p>Vaughan Ashcroft, Northamptonshire Police, Chief Finance Officer</p> <p>Charlotte Radford, Nottinghamshire OPCC, Chief Finance Officer</p> <p>Mark Kimberley, Nottinghamshire Police, Chief Finance Officer</p>
<b>Key Client Contact(s):</b>	Paul Gibson, Head of EMSOU
<b>Internal Audit Team:</b>	<p>David Hoose, Partner</p> <p>Mark Lunn, Internal Audit Manager</p>

	Holly Campbell, Internal Auditor
<b>Finish on Site / Exit Meeting:</b>	29 <sup>th</sup> July 2022
<b>Draft report issued:</b>	5 <sup>th</sup> August 2022
<b>Management responses received:</b>	8 <sup>th</sup> September 2022
<b>Final report issued:</b>	9 <sup>th</sup> September 2022

### Scope and Objectives

The audit will assess the efficiency and effectiveness of internal controls in operation in respect of the Collaboration Units Risk Management arrangements. Areas for improvement identified will then be brought to the attention of management and advice will be issued on how particular problems may be resolved and controls reviewed to improve future performance.

The audit objectives are to provide assurance that:

- Procedures are in place to ensure that risks relating to the unit are identified; assessed; recorded; and, appropriate risk owners are assigned.
- Responsibility for risk, both in terms of supporting the overall risk management process across the unit and individual risk owners, is delegated and understood.
- Risks are managed, where appropriate, at all levels of service delivery:

- Strategic
  - Operational
  - Contracts
  - Projects
- Risk registers are in place and are adequate and reasonable in terms of risk scoring, documented mitigation and action plans
  - The risk register is subject to regular review and is updated in a timely and consistent manner.
  - Risk mitigation actions are in place and there is evidence they are monitored to ensure tasks are completed within agreed timescales.
  - Appropriate oversight and reporting arrangements are in place and are working effectively.
  - Collaboration unit risk registers are aligned with individual Force registers, including how risks are escalated and reviewed, ensuring that duplication is minimised.
  - The extent to which risk registers are routinely shared with Force risk managers in order to ensure there is awareness across the region of the risks collectively being faced and how those risks are being mitigated.

The objectives of our audit were to evaluate the adequacy and effectiveness of the Risk Management systems with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute.

The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Risk Management process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.



## A5 Statement of Responsibility

### Status of our reports

We take responsibility to the Office of the Police and Crime Commissioner for Derbyshire and Derbyshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Mazars is an internationally integrated partnership, specializing in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 44,00 professionals – 28,000 in Mazars’ integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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**Police and Crime Commissioner for Derbyshire**  
**Chief Constable for Derbyshire**

**JOINT AUDIT RISK AND ASSURANCE COMMITTEE**

**ANNUAL REPORT 2021/22**

**Policing Governance**

Police governance is vested in the elected Police and Crime Commissioner for Derbyshire, Angelique Foster (since May 21). It is the responsibility of the Commissioner to appoint the Chief Constable and to hold the Chief Constable to account for the efficient delivery of policing in the area. The Commissioner also produces a Police and Crime Plan and sets the budget and policing precept. The Police and Crime Panel holds the Commissioner to public account between elections.

The Chief Constable retains responsibility for operational policing, and has direction and control of all police officers and staff who do not directly support the Commissioner. The current Chief Constable is Rachel Swann.

Current Home Office guidance is that Chief Constables and Commissioners will be supported by independent Audit Committees. In Derbyshire, this is the Joint Audit Risk and Assurance Committee or JARAC.

The purpose of the JARAC is to provide independent assurance to the Chief Constable and the Commissioner on:

- The adequacy of risk management and the internal control framework operated by the Commissioner and the Chief Constable.
- The effectiveness of their respective governance arrangements including providing for value for money services.
- The appointment, support and review of the work of internal and external auditors in their provision of assurance on risk management, internal controls and the annual accounts through their work.
- The financial reporting process, including:
  - undertaking appropriate scrutiny of annual accounts, with advice from External Audit and
  - Review of budget setting process and assumptions and in-year monitoring
- The arrangements to detect fraud and prevent bribery and corruption. Including ensuring that effective complaints and whistle-blowing arrangements exist, together with proportionate and independent investigative arrangements.

The JARAC is a non-executive committee and works to Terms of Reference approved by the Commissioner and the Chief Constable, based on national professional guidance from the Chartered Institute of Public Finance & Accountancy. The JARAC operates in line with the principles of good governance and reviews its terms of reference and self appraises its performance each year.

### **JARAC membership**

In Derbyshire, there are 6 JARAC members, all independent of the Commissioner and the Chief Constable. The members are appointed through an open recruitment process and selected on the basis of experience and expertise. They have been appointed for a term of 5 years. The members for the 2021/22 financial year were:

- Sue Sunderland (Chair)
- Andrew Jenkinson (Deputy Chair)
- Lee Harrold
- Barry Mellor
- Leanne Gelderd
- Joanne Charlton

### **JARAC meetings**

The JARAC meets in public at least 4 times a year, usually at Constabulary HQ at Ripley, however as a result of the COVID pandemic almost all meetings in 2021/22 have been held online via MS Teams. A programme for the annual cycle of JARAC meetings exists and this was reviewed and extensively updated in January 2021. Changes were implemented with immediate effect but the cycle has been disrupted by the ongoing delays in the delivery of the external audit.

The meetings for 2021/22 were as follows:

<b>Month</b>	<b>Main topic(s)</b>
July (2 meetings)	External Audit – Annual Audit Letter & 20/21 Plan Internal Audit reports Draft financial statements & annual governance statements 20/21 Organisational Learning, Culture & Ethics - performance reporting Police Officer recruitment update JARAC terms of reference & annual report Force risk management review HMICFRS update
November	External Audit – verbal update re 20/21 accounts audit Internal Audit reports including annual report Financial monitoring Policies & procedures review verbal update Risk management – Force & OPCC JARAC self assessment
January	External audit – verbal update re 20/21 accounts audit Internal Audit – progress report Budget planning & monitoring (main focus)

March	External audit – ISA 260 report on 20/21 Internal Audit reports Internal Audit plan 21/22 HMICFRS value for money & activity update Financial monitoring Year end accounting arrangements and policies 21/22 Complaints performance OPCC risk management
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The detailed papers and minutes are available via the Commissioner's website [The Joint, Audit, Risk and Assurance Committee Meetings | Office of the Derbyshire Police and Crime Commissioner \(derbyshire-pcc.gov.uk\)](https://www.derbyshire-pcc.gov.uk)

### **Specific issues of note**

#### **Links with Police and Crime Commissioner and Chief Constable**

As the key aim of the JARAC is to provide the Commissioner and Chief Constable with the assurances that they need we have welcomed the sustained links that we now enjoy, specifically:

- the annual meeting between the JARAC Chair and Deputy Chair, the Commissioner and the Chief Constable which provides an opportunity to review the focus of the JARAC and identify any areas where further assurance would be appreciated.
- the regular attendance of the Deputy Chief Constable at JARAC meetings, supplemented by the attendance of the Chief Constable and Commissioner when they are able. Their presence and input has added to the effectiveness of the meetings.

#### **Follow up**

The Committee continued its focus on ensuring that recommendations from Internal Audit and other inspections were followed up and acted upon. In particular, this year our focus remained on ensuring that there are appropriate arrangements to internally monitor implementation. We have continued to see more realistic implementation dates being agreed. Unfortunately, we have noticed a recent deterioration in the quality and timeliness of management responses to recommendations. It is important that management responses clearly set out the action that is to be taken.

#### **Risk management**

The Commissioner's office has adopted the same system of Risk Management as the Force. This will help the JARAC to see a clear link (and any gaps or overlaps) between the OPCC and Force Risk registers and for us to gain further assurance that risk mitigation is effectively managed and coordinated. We have, however, identified the need for the Force risk reports to the JARAC to be further developed to give us the information we need to understand the risks and current mitigations to enable us to assess the level of assurance that we can take.

A member of the JARAC continues to attend the Force Risk Board once a year to gain assurance that the Board is actively managing risk. The Committee has continued to receive confidential briefings on non-specific operational risks.

## **External Audit**

Last year's report highlighted the difficulties experienced by our external auditors, Ernst Young, in delivering the 2019/20 audit, an opinion finally being issued on 1 March 2021. It also flagged up our concerns that looking to the future we were not assured that the situation would improve. However, we had not anticipated that the situation would deteriorate even further, to the point where as at the end of July 2022 the external audit opinion for the financial statements ending 31 March 2021 remains outstanding.

The JARAC reviewed the draft final accounts in July 2021 and was satisfied that the draft accounts produced by the deadline were of their usual high standard. Unfortunately, the External Auditors did not produce their report on the audit until March 2022 and were still not in a position to conclude the audit. The only comfort that the JARAC could take was that the report from the external auditors did not identify any significant findings from the audit.

Such is the extent of the delay in the external audit that draft financial statements for the year ending 31 March 2022 have been produced and presented to the JARAC in July 2022 before an opinion has been provided on what are now the previous year figures.

As a committee we are very concerned about the scale of the delay which significantly diminishes the value of the external audit in providing the Committee with assurance around the financial statements. A formal complaint was made to the External Auditor's which highlighted these concerns.

Looking to the future and bearing in mind the response to our complaint; we are not assured that the situation will improve and would welcome greater transparency from the external auditors around the timing and delivery of the external audit and their plans to improve delivery performance.

## **Internal Audit**

Internal audit work delivered during the year included the completion of two organisation specific audit reports and all but one of the collaboration audit reports from 20/21. This was partly due to the impact of COVID on the start of the 20/21 audit plan but also due to delays in the completion and agreement of collaboration reports. This issue has been recognised and revised arrangements have been agreed during the year that should streamline the delivery and completion of collaboration audits going forward. This will remain an area of focus for the JARAC.

With regards to the 21/22 internal audit plan seven reviews have been completed, two received significant assurance, two satisfactory assurance and three limited assurance. This marks a reduction in the level of assurance received from Internal Audit which is reflected in the Head of Internal Audit opinion which was presented to the JARAC in July 22. The level of overall adequacy and effectiveness being assessed as only moderate (previously significant).

A further concern is the time that it is taking for draft internal audit reports to be agreed with the main issue being the time taken for management comments to be received. This coupled with the point raised earlier about the recent drop in the quality of management responses to recommendations needs to be addressed as soon as possible.

Progress with regard to the implementation of recommendations to address the issues raised by Internal Audit will remain a focus of the JARAC over the next 12 months.

### **Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS)**

We have continued to receive updates regarding the action being taken by the Force to address issues raised by previous inspections and have been assured that rapid and appropriate action has been taken to address the findings, many of which the Force had already recognised as requiring action. We are also aware that there has been a recent PEEL Police Effectiveness assessment inspection the results of which are awaited. We look forward to hearing the outcome of the inspection process and the Force's response.

### **Anti fraud and corruption**

The JARAC receives presentations addressing different aspects of the Force's anti fraud and corruption arrangements on a cyclical basis. Each of the reports has provided assurance to members that appropriate arrangements are in place. The particular area covered this year has been the management of complaints.

### **Financial monitoring**

This is the first full year that the JARAC has had an extended remit around financial monitoring and so part of our work has been to determine what information we need to be presented and when. Through the reports that we have considered we have received assurance as well as providing useful challenge around the annual budget planning arrangements and the developing medium term financial plans.

The Chair has also been able to attend a meeting of the Financial Assurance Board which provided good assurance as to the level of challenge provided by the Commissioner on the financial plans of the Force and the collaborative work done to identify options for efficiencies.

### **COVID impact**

The COVID 19 pandemic has continued to have a significant impact on how the JARAC has operated, with a switch to virtual meetings via MS Teams. Whilst the virtual meetings have enabled the JARAC to continue its' work it has reduced the transparency of our work to the public. Our agenda and reports remain available via the website link above but our meetings during the pandemic have not been available for members of the public to attend and it has not proved possible to make recordings available. It is hoped that we will be able to return to face to face meetings in September.

### **Committee effectiveness**

The effectiveness of the JARAC is reliant on the commitment and experience of its members and I would like to thank each of the members for their valuable contributions over the last 12 months.

In order to help Member's keep up to date a development session has been added to the end of each JARAC meeting to allow briefings on a range of issues. Individual 1:1 discussions between the Chair and each member have also been introduced.

We undertook a detailed self assessment in September 2021 using the CIPFA guidance and self assessment criteria. This identified that overall we are effective and covered all expected areas.

However, it also identified areas for further development some of which are around ensuring members have a good understanding of our advisory role as well as developing our wider understanding of both the OPCC and Force. This information will inform our development sessions over the next year.

The effectiveness of the JARAC this year has also been hampered by capacity issues within the OPCC and the fact that we have generally not been able to meet face to face. We are pleased to note that the OPCC restructuring has now been signed off which should address these capacity issues and look forward to the return to face to face meetings with immediate effect.

### **Looking forward**

In 2022/23 the JARAC will:

- Move back to face to face meetings
- Continue to seek improvements in the timeliness of the External Audit of the financial statements
- Seek improvements in the timeliness and quality of management responses to Internal Audit reports
- Seek improvements in the format of the Force risk management reports to facilitate our gaining assurance over the management of risk.

Sue Sunderland  
Chair JARAC  
August 2022