



Office of the Cambridgeshire Police and Crime Commissioner (OPCC)

ANNUAL GOVERNANCE STATEMENT – 2016/17

1. SCOPE OF RESPONSIBILITIES

- 1.1 The OPCC is responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Commissioner also has a duty under the Police Reform and Social Responsibility Act 2011 to secure the efficiency and effectiveness of the police force.
- 1.2 In discharging this overall responsibility, the OPCC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 1.3 The Commissioner has approved and adopted a revised set of Financial Regulations which include a Code of Corporate Governance consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This Annual Governance Statement explains how the Commissioner has complied with the Code. It also meets the requirements of Regulation 6(1) and 6(4) of the Accounts and Audit Regulations 2015 in relation to conducting a review of the effectiveness of internal control systems at least annually and preparing an annual governance statement in accordance with accounting regulations and proper practices, and Regulations 6(2) and 10(1) (with transitional provisions at Regulation 21) regarding the requirement to approve an Annual Governance Statement in advance of the approval of the statement of accounts and which has to be published alongside the Statement of Accounts and the narrative statement.

- 1.4 The Police Reform and Social Responsibility Act 2011 changed the governance and scrutiny of policing by abolishing Police Authorities and replacing them (in November 2012) with elected Police and Crime Commissioners. The Commissioner holds the Chief Constable to account and the Police and Crime Panel provide support and challenge to the Commissioner.
- 1.5 The financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the OPCC is directed and controlled and the activities through which it is accountable to and engages with the community. It enables the OPCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

3. THE GOVERNANCE FRAMEWORK

- 3.1 The purpose of the framework is to give clarity to the way the two legal entities (each one a corporation sole), the Commissioner and the Chief Constable will govern, both jointly and separately, to do business in the right way, for the right reason at the right time.
- 3.2 The statutory framework within which each corporation sole will operate is:
 - Police Reform and Social Responsibility Act 2011
 - Policing Protocol Order 2011
 - Financial Management Code of Practice
 - Strategic Policing Requirement
 - The Police and Crime Commissioner Elections (Declaration of Acceptance of Office) Order 2012
 - Police Act 1996

- 3.3 This framework creates a public sector relationship, based upon the commissioner/provider arrangement but with unique elements such as the single elected Commissioner and operational independence of the police service. It is therefore not appropriate to import corporate governance arrangements into this new environment and the framework builds upon existing good governance principles and experience.
- 3.4 The core principles to be adopted by both corporations sole are those highlighted by the good governance standard for public services:
- Focus on outcomes for local people
 - Clarity of roles and functions
 - Promotion of values and demonstrating these through behaviour
 - Informed, transparent decisions and managing risk
 - Developing capacity and capability
 - Engaging with local people to ensure robust accountability
- 3.5 The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Commissioner is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the OPCC must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.
- 3.6 This Annual Governance Statement provides a summary of the extent to which the aspirations set out in the Code of Corporate Governance are currently being met. This statement is informed by assurances on the six principles of the Code and by on-going audit and inspection.
- 3.7 The reliability of financial reporting and internal financial controls are also reported as part of this statement. See (7) below.

(1) Focusing on the purpose of the Commissioner and on outcomes for the community and creating and implementing a vision for the local area.

- 3.8 The Commissioner makes his commitments and objectives for policing clear in his Police and Crime Plan which was informed by the views of the electorate. Following the election of the new PCC in May 2016 a new Police and Crime Plan was approved by the Police and Crime Panel in February 2017. It is against this plan that the PCC is measured and monitoring of outcomes against this plan is undertaken by both the Business Co-ordination Board and the Police and Crime Panel.

(2) Working together to achieve a common purpose with clearly defined functions and roles.

- 3.9 As set out above the governance arrangements have been developed in line with the Police Reform and Social Responsibility Act 2011, the statutory Policing Protocol and the Home Office Financial Management Code of Practice.
- 3.10 The Scheme of Governance includes details of the various duties delegated to senior officers. Financial Regulations (including contract standing orders) have been developed to ensure that the financial responsibilities of both the OPCC and the Commissioner are clear.
- 3.11 The Commissioner has a good working relationship with the Chief Constable. The Business Coordination Board, comprising the senior leaders of the two organisations, meets to review issues and take decisions relating to strategy, governance, business and holding the Chief Constable to account.
- 3.12 The Commissioner continued to endorse Section 22 (of the Police Act 1996) collaboration agreements with Strategic Alliance partners in 2016/17 and mechanisms in place to hold these collaborates services to account are in place. The governance arrangements for the BCH strategic alliance was subject to an external review in 2016/17 to ensure they were still fit for purpose and findings of this review have been accepted and are in the process of being implemented.
- 3.13 The strategic direction of the strategic alliance is managed via the Strategic Alliance Summit (SAS), which is made up of the 6 corporation soles of the organisations. The operational implementation of the collaboration units are managed via the Joint Chief Officers Board (JCOB) which is made up of the three Chief Constables.
- 3.14 The Joint Audit Committee have endorsed a joint strategic risk register and continue to review the risk register to ensure a shared understanding of strategic risks including collaboration and transition. A forward-looking Board Assurance Framework, linking objectives to key risks, is being developed and will be reviewed by the Joint Audit Committee.
- 3.15 Partnership arrangements are in place with local authorities, including an overarching Countywide Community Safety Board and Criminal Justice Board. Looking to the future, partnership governance arrangements will be reviewed and advanced in the light of the development of devolution and increasing Criminal Justice responsibilities.

(3) Promoting values for the Commissioner and Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- 3.16 Immediately upon election, the Commissioner signed the Declaration of Acceptance of Office that incorporates the seven Nolan principles relating to public life. OPCC staff are subject to the same codes of conduct as police staff. The Joint Audit Committee has a specific role with regard to integrity and reviewed during the year the internal controls in place.

- 3.17 The OPCC has an approved policy on anti-fraud and bribery which is included within the financial regulations. The policy is designed to encourage prevention, promote detection and identify a clear pathway for investigation of fraudulent and/or corrupt activities or behaviour.
- 3.18 The OPCC and Constabulary have a 'whistleblowing' policy to deal with all disclosures of inappropriate behaviour or malpractice, including fraud and misappropriation. This includes the areas catered for under the Public Interest Disclosure Act of 1998.
- 3.19 The OPCC has a published complaints policy and robust processes with independent input to consider integrity issues. The Terms of Reference of the Joint Audit Committee include the responsibility to maintain an overview, ensure best practice and make recommendations on the governance arrangements of the Commissioner and Chief Constable including in relation to codes of conduct and behaviour.
- 3.20 As a public body, the Commissioner is subject to the general equality duty. Under the Police Reform and Social Responsibility Act 2011, the Commissioner must hold the Chief Constable to account for the exercise of his duties relating to equality and diversity. The Police and Crime Plan considers the needs of the diverse population we serve. OPCC staff comply with and ensure that those who we support adhere to guidelines set out in the equality duty. The OPCC staff equality and diversity breakdown has been published on the website.

(4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- 3.21 All decision making is carried out in accordance with the Governance framework.
- 3.22 The governance arrangements ensure that the key decisions taken by the Commissioner are made in the light of all necessary information and analysis and made public (unless exempt under the Provision of Access to Information rules). Appropriate legal, financial, human resources and other professional advice is considered as part of the decision-making process. The Commissioner signs a notice for each decision taken and any decision can be 'called in' by the Police and Crime Panel for further consideration.
- 3.23 The Commissioner has appropriate oversight and scrutiny of Constabulary decision-making through the scrutiny of reports at the Business Coordination Board and other meetings, review of Force Executive Board minutes and formal and informal meetings with the Chief Constable and Constabulary officers. A specific objective and risk-based performance approach is in place.
- 3.24 The Commissioner and Constabulary are subject to an extensive internal and external inspection regime and the results of these inspections are published to ensure appropriate scrutiny of decision-making.
- 3.25 Risk management is embedded into the work of the OPCC on an ongoing and continuous basis. A joint strategic risk register is in place and endorsed by the Joint

Audit Committee. The aim of this strategy, endorsed by the Joint Audit Committee, is to ensure that risk management is embedded into the governance structure and that it effectively underpins and enables the business.

- 3.26 The risk strategy sets out the Commissioner's controls assurance mechanisms which inform the call of performance reports to the Business Co-ordination Board. The Joint Audit Committee oversees the risk management arrangements of the OPCC and the Constabulary and ensures that OPCC and Force processes are aligned. A forward-looking Board Assurance Framework for risk is also being put in place.

(5) Developing the capacity and capability of members and officers to be effective.

- 3.27 The OPCC takes a pro-active approach to staff development. OPCC staff complete a regular Personal Development Review process with their named line manager. This process will continue to identify training requirements for individuals.

(6) Engaging with local people and other stakeholders to ensure robust public accountability.

- 3.28 The Commissioner has a duty to obtain the views of the Community under the Police Reform and Social Responsibility Act 2011. The Commissioner undertakes this in a number of ways including:

- Monthly advertised public surgeries
- Meeting the community at police contact points
- Monthly newsletter
- Attendance at local community and events
- Responding to correspondence
- Use of an active Twitter feed

(7) Reliable financial reporting and internal financial controls.

- 3.29 Financial control involves the existence of a structure which ensures that all resources are used as efficiently and effectively as possible to attain the overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of the assets and limited resources.

- 3.30 The financial management framework follows national and/or professional best practice and its key elements are set out below:

- Each corporation sole has a Chief Finance Officer (CFO) with responsibility under Section 151 of the Local Government Act 1972 to ensure that there are arrangements in place for the proper administration of financial affairs. The CFOs also have certain statutory obligations under Section 114 of the Local Government Finance Act 1988 which cannot be delegated, namely, reporting any potentially unlawful decisions by either the Commissioner or the Constabulary on expenditure and where a loss or deficiency may arise. The CFOs must also report

in the event that spending in the year is likely to exceed available resources. The organisations fully comply with the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable.

- The finance function is governed by the Financial Regulations which are framed under the Home Office Code of Financial Management. The Chief Constable is responsible for adherence to Police Regulations and the Constabulary monitored for additional compliance by HMIC and HM Revenue and Customs.
- Responsibility and accountability for resources rests with managers who are responsible for service provision.
- The Commissioner has adopted the CIPFA Code of Practice on Treasury Management requiring approval of an annual treasury management strategy including an annual investment strategy.
- In accordance with the CIPFA Prudential Code and best accounting practice a four-year medium-term financial plan (MTFP) and a four-year capital programme are produced.
- The revenue budget provides an estimate of the annual income and expenditure requirements for the police service (Commissioner and Constabulary) and sets out the financial implications of the Police and Crime Plan. It provides chief officers with the authority to incur expenditure and the basis on which to monitor the financial performance.
- The Commissioner is required to set the budget and precept.
- Capital expenditure is an important element in the development of the policing business since it represents major investment in new and improved assets. The Commissioner approves the capital programme each year and monitors its implementation and funding closely. The Commissioner has required a policy of no borrowing to finance capital spending unless it is for long term structural change.

4. REVIEW OF EFFECTIVENESS

- 4.1 The Commissioner has responsibility for conducting at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review is informed by the work of the Chief Executive, the CFOs, internal auditors, the Head of Internal Audit report and also managers within the OPCC and Constabulary who have the responsibility for the development and maintenance of the governance environment. In addition, comments made by the external auditors and other review agencies and inspectorates inform all Governance Statements.
- 4.2 The OPCC's role in maintaining the effectiveness of the governance framework extends to ensuring that there is an approved Code of Corporate Governance and that the Code includes the arrangements for review thereof.
- 4.3 Collaboration Governance has been subject to an external review in 2016/17 in order to address control weaknesses that had been identified. This review has been accepted and is in the process of being implemented. The Schemes of Governance of

Bedfordshire, Cambridgeshire and Hertfordshire OPCCs have been reviewed and update during 2016/17.

- 4.4 The Joint Audit Committee undertakes the core functions of an audit committee in accordance with the guidance set out in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'.
- 4.5 The Joint Audit Committee plays a pivotal role in the system of internal control through its oversight of audit arrangements. The Committee approves the external audit plan and receives the annual audit letter from the external auditor. The Committee also approves the annual internal audit plan, receives regular internal audit reports and monitors management performance against agreed action plans to address any weaknesses identified. In addition, the Committee oversees progress on Risk Management and related issues.
- 4.6 Risk management is embedded within the organisation via the Risk Management Strategy and the joint strategic risk register. The Joint Audit Committee reviewed the strategic risk register at its meetings in September 2016 and March 2017 and considered the operational risk register in June and December 2016. The strategic risk register sets out the key accountable activities, responsibilities and risks or challenges. It includes the risk controls, controls assurances, risk owners and risk ratings. The strategic risk register is reviewed and updated on a regular basis. The Joint Audit Committee also considered the Board Assurance Framework in June and December 2016.
- 4.7 The Head of Internal Audit's Annual Report for the year ended 31 March 2017 has been received and was considered by the Joint Audit Committee on 22 June 2017. The Report includes an opinion on the internal financial control framework.

- 4.8 The opinion is as follows:-

“For the 12 months ended 31 March 2017, the Head of Internal Audit opinion for the Police and Crime Commissioner for Cambridgeshire (OPCC) is as follows: the organisation had adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

- 4.9 The Head of Internal Audit noted that the following factors and findings informed the opinion above:

Governance – Our Cambridgeshire only review of governance focused on Compliance with the Delivering Governance in Local Government Framework within the Office of the Police and Crime Commissioner (OPCC) and the Force and we concluded with a substantial assurance opinion to both the OPCC and the Force.

Our Bedfordshire, Cambridgeshire and Hertfordshire (BCH) collaborative governance review focused on the governance structures in place including

arrangements for change management and benefits realisation. This review concluded with a partial assurance opinion over the arrangements in place and identified a number of actions for improvement. Following our review management also commissioned a further review by an External Consultant to take this area forward.

Risk Management – Our audits of Risk Management within the OPCC and Force included a review of the Risk Register update, review, monitoring and reporting. These both concluded with a substantial assurance opinion.

In addition, we undertook a review of the BCH collaboration risk management arrangements and this audit concluded with a substantial assurance opinion.

Control – We have undertaken seven Cambridgeshire specific assurance reviews (excluding governance and risk management), that contributed to the control opinions. Four of these audits concluded with substantial assurance opinions and three concluded with reasonable assurance.

Eight further reviews were also undertaken in relation to Collaboration activity across BCH, of these two concluded with substantial assurance, four with reasonable assurance and one with partial assurance. The partial assurance opinion was in the area of Health and Safety, and weaknesses included non-compliance within the individual Forces in relation to completion and evidence of risk assessments, inspections, investigation of potential health and safety incidents, annual reporting and the clarity of the governance arrangements.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisations had made reasonable progress in implementing the agreed actions.

- 4.10 The Annual report lists 18 audits (including 9 collaborated audits) which shows zero high priority actions, 28 medium priority actions and 2 low priority actions. Two audits were rated 'partial assurance'.
- 4.11 The most recent external audit annual audit letter was issued by Ernst & Young in October 2016. This noted an unqualified opinion on the statement of accounts and unqualified value for money conclusion. Procedures have been undertaken and no issues identified in preparation of the financial statements and estimates (valuation of property, plant and equipment). The letter also noted that Ernst & Young did not find any material misstatements, and found governance arrangements to be adequate and in compliance with the requirements of the Home Office's Code of Financial Management.
- 4.12 Both internal and external audit have detailed audit plans upon which assurance is gained.

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 During 2016/17 there were two audits where internal audit were only able to give partial assurances, the BCH reviews on Health and Safety and Governance.
- 5.2 In the internal Audit Annual Report the auditors state that the OPCC and Cambridgeshire Constabulary should consider the areas set out above whereby partial assurance was given over the control framework for the BCH reviews on Governance and Health and Safety when completing their annual governance statements and also any subsequent action taken by management to address the weaknesses identified.
- 5.3 Whilst the health and safety audit was only able to give partial assurances this was primarily due to the fact that this was a new collaboration unit and whilst the building blocks of the new team and working across all three forces was in place, there had not been time for these to be bedded down. Only five recommendations were raised and these were all medium level. It is not felt there are any inherent control risks within this area.
- 5.4 BCH Governance review found there were weaknesses in the governance arrangements, including change management and benefits realisation within the BCH structures. The findings of this review were accepted and an independent review of the BCH governance arrangements was undertaken in January and February 2017. The findings of this review were accepted by SAS in March 2017 and a detailed action plan was agreed at the June 2017 meeting. Internal audit have been asked to undertake a follow up audit on the implementation of this action plan in the third quarter of 2017/18.
- 5.5 Based on the opinion of the Chief Internal Auditor and our own ongoing work, we are satisfied that our arrangements for governance, risk management and control are adequate and effective. However, we recognise that changes agreed to the collaborative governance needs to be actioned and embedded in 2017/18.
- 5.6 At a time of such major organisation change and downward pressure on finances, it is inevitable that risk appetite will need to be reviewed and controls will come under pressure. As a result audit resources and management effort will need to be directed at areas of higher risk.
- 5.7 The Office of the Police and Crime Commissioner will continue to identify enhancements to its arrangements for corporate governance, in particular the governance of collaborated activities.

5.8 Looking ahead, the OPCC considers that in light of potential funding changes and increased financial risks there is a clear need for a robust medium term financial planning process and the work in this area in previous years to be built upon. In addition consultation will be happening on widening the role of the Commissioner by taking on the Fire and Rescue Service. Both of these significant areas continue to add risk, however the strategic risk arrangements will embrace these new functions as they are introduced.

Signed

Jason Ablewhite
Police and Crime Commissioner

Dr Dorothy Gregson
Chief Executive

Date: