



## **Office of the Cambridgeshire Police and Crime Commissioner (OPCC)**

### **ANNUAL GOVERNANCE STATEMENT – 2014/15**

#### **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 4(2) of the Accounts and Audit Regulations 2011 in relation to conducting an annual review of the effectiveness of its internal control systems at least annually and Regulations 4(3) and 4(4) regarding the requirement to approve an Annual Governance Statement which has to be published alongside the Statement of Accounts.
- 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.

## **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.
- 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 has made his commitments and objectives for policing clear in his Police and Crime Plan which was informed by the views of the electorate. Aspects of the Plan were updated and approved by the Police and Crime Panel in November 2014 to reflect changes within Objective 1 (Maintain Local Police Performance), and a further update to the Plan to incorporate the 2015/16 budget was approved in March 2015. This Plan sets out the policing priorities to be delivered and throughout the year the Business Co-ordination Board has reviewed progress both qualitatively and quantitatively.

3.10 Since his election in November 2012, the Commissioner has engaged with the public in many ways including local surgeries for residents to raise issues, attendance at neighbourhood meetings, distribution of the Connect newsletter and his personal attention to correspondence. The employment of two outreach workers has increased the capacity to link directly to the public. The Commissioner also has a website with contact details, information on current developments and transparency data as required by legislation.

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

- 3.11 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.
- 3.12 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.
- 3.13 The Commissioner has a good working relationship with the Chief Constable. Each month 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.
- 3.14 The Commissioner has continued to endorse Section 22 (of the Police Act 1996) collaboration agreements with Strategic Alliance partners and has mechanisms in place to hold these collaborated services to account. Governance arrangements with collaboration partners are continuously reviewed to ensure they reflect the current landscape.
- 3.15 The Joint Audit Committee have endorsed a joint strategic risk register and continued to review the risk register to ensure a shared understanding of strategic risks including collaboration and transition. A Board Assurance Framework, linking objectives to key risks, is also being developed jointly.
- 3.16 Partnership arrangements are in place with local authorities, including an overarching Countywide Community Safety Board and Criminal Justice Board.

**(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.
- 3.17 The Commissioner has approved and adopted a 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 Local Policing Plan and Police and Crime Plan consider 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 in accordance with the objectives set out below:

- To increase the likelihood of achieving the Commissioner's and Chief Constable's strategic objectives;
- To prevent or reduce the potential consequences of events which could have been reasonably foreseen;
- To prevent or reduce events or actions that could damage the reputation of, and public confidence in, policing, community safety and crime reduction in Cambridgeshire;
- To improve decision-making and planning and assist in the allocation of resources;
- To integrate risk management into the culture and processes;
- To raise awareness of risk management among staff, making it an integral part of their thinking and actions, and
- To satisfy the requirements of corporate governance for the Annual Governance Statement, and external auditors in relation to the effectiveness and adequacy of risk management.

The joint strategic risk register is underpinned by the following good practice principles:

- The avoidance of creating or perpetuating an unduly risk-averse culture by taking an approach which considers the risks of not undertaking activities and not exploiting opportunities.
- Consideration of risk should both help to secure existing objectives and not stifle innovation when taking decisions on new and innovative projects.
- Mitigation measures should be effective, appropriate, proportional, affordable and flexible e.g. controls are not to be set up where the cost and effort is disproportionate to the expected benefits, and these should be implemented with minimum bureaucracy.
- Risk should be anticipated and decisions over the extent to which these should be managed are to be considered within a mature and evidence-based assessment framework, including taking account of possible impact and public reaction.
- Risk management should be embedded into the governance structure and effectively underpin and enable the business, making it an integral part of the thinking and actions of staff.

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 new Board Assurance Framework for risk is also being developed jointly.

**(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 has stated that he wants to be the voice of the public and sees effective engagement with the public as crucial to the success of the role and improving further trust in the police. In order to do this he has articulated his broad aspirations for engaging with the public both individually and collectively, as well as identifying some practical tactical initiatives to support those aspirations. The Commissioner's approach to engagement has been set out and published on the website.
- 3.29 The Commissioner has been promoting the increased use of volunteers and improved links between Watch groups, the Constabulary and partners. His aim is to foster a more effective two-way flow of communication which improves the quality of information given to the police and reassures the public that their voice is being heard.
- 3.30 The Commissioner has highlighted improved engagement with parish councils as a priority. An Outlook database of contacts has been established with a view to the Commissioner providing regular e-bulletins to parish councils. The OPCC attends as many parish council meetings as possible to listen to the issues raised.
- 3.31 Monthly surgeries have been held with the Commissioner on a one to one basis giving members of the public a chance to meet the Commissioner and raise any concerns regarding crime and community safety.
- 3.32 During his election campaign, Sir Graham stated that he would create two new 'outreach worker' posts for northern (including Peterborough) and southern parts of Cambridgeshire. The key purpose of the posts is to listen to the public as individuals and collectively and to work in partnership with local agencies and voluntary organisations to identify and deliver shared solutions to local crime and anti-social behaviour problems in Cambridgeshire and Peterborough's priority areas. The Northern post was supplemented by a Southern outreach worker from January 2015.
- 3.33 The Commissioner has attended neighbourhood meetings in whatever guise they take (forums, area committees and panels).
- 3.34 In 2014/15 the Commissioner received more than 1,500 emails and letters from members of the public, other organisations and elected representatives. His Twitter feed now has over 1,400 followers and his website had almost 169,000 visitors in

2014/15. Street surgeries and one to one surgeries have complemented these other forms of engagement.

- 3.35 The Commissioner continues to be represented on the Force Engagement Board to ensure the Commissioner's broad aspirations for community engagement are in line with the Force's. The Commissioner's aim is to add value to the good work of the Constabulary in this area.

#### **(7) Reliable financial reporting and internal financial controls.**

- 3.36 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.

- 3.37 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. For a brief period between September 2013 and April 2014 the Constabulary and OPCC shared a single Section 151 officer. 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 by the end of February prior to the start of the relevant financial year.
- 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 further developed during 2014/15. Cambridgeshire is responsible for Organisational Support which includes HR, Finance, Estates and Corporate Development and an Organisational Support Governance Board has been established, chaired by the Deputy Police and Crime Commissioner of Cambridgeshire PCC. The Schemes of Governance of Bedfordshire, Cambridgeshire and Hertfordshire OPCCs have been brought together into a common, unified document. Regular Strategic Alliance summits move collaboration forward in a structured way.
- 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 has been 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 2014 and March 2015 and considered the operational risk register in June and December 2014. 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. A Board Assurance Framework is under development, in order to support the joint strategic risk register and provide a link to the objectives in the Police and Crime Plan, with a presentation being made to the Business Co-ordination Board in March 2015.

4.7 The Head of Internal Audit's Annual Report for the year ended 31 March 2015 has been received and was considered by the Interim Joint Audit Committee on 29 June 2015. 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 2015, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of your organisation’s risk management, internal control and governance. In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2015 the Police and Crime Commissioner for Cambridgeshire (OPCC) had adequate and effective risk management, internal control and governance processes to manage the achievement of the organisation’s objectives.”

4.9 The Head of internal also gave the following opinions:

- Governance – Our review of governance focussed on the governance structure of the force and OPCC and concluded substantial (green) assurance opinion for both the OPCC and force. We concluded that the governance arrangements in place for both the OPCC and the force were adequate and effective.
- Risk Management – Our audit of Risk Management within the OPCC included a review of the Risk Register update, review, monitoring and reporting. This review concluded with a reasonable (amber/green) assurance opinion. We concluded that the risk management arrangements in place for both the OPCC and the force were adequate and effective.
- Control – We concluded that the controls arrangements in place for both the OPCC and force were adequate and effective.

4.10 The Annual report lists 17 audits (including six collaborated audits) which shows two high priority actions, 17 medium priority actions and 24 low priority actions, and also eight non-categorised recommendations. No audits were rated red or amber red. Further information is detailed within section 5.

4.11 The most recent external audit annual audit letter was issued by Ernst & Young on 7 October 2014. 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 In 2013/14, there was 1 audit which identified a major governance issue (red opinion)  
a) Proceeds of Crime Act (POCA) and cash seizures which identified a number of weaknesses surrounding the processes for recording cash seizures. The high priority action relating to this audit remains outstanding.

5.2 There were 25 recommendations from 2014/15, including the action noted above. Of these, 12 have been confirmed as completed or no longer necessary with 13 recommendations for which implementation is ongoing. In the auditor's opinion 'little progress' has been made in implementing these agreed actions and this will be an area of particular focus in 2015/16.

5.3 In 2014/15, no audits identified a major governance issue (red opinion) and there were no audits where the opinions were amber/red.

5.4 The Joint Audit Committee will monitor progress with implementation of action plans relating to these audit findings.

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.

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 external financial pressures, the widening of the role of the Commissioner and other organisational changes continue to add risk, however the strategic risk arrangements will embrace these new functions as they are introduced.

Signed

Sir Graham Bright  
Police and Crime Commissioner

Dr Dorothy Gregson  
Chief Executive

Date: