

Statement of Internal Control for Cumbria Police Authority 2004-05

1. The Scope of responsibilities

The primary responsibility of the Police Authority, as defined in the Police Act 1996 is to secure an efficient and effective police service in Cumbria. In so doing, the Authority must ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Police Authority also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The purpose of the Internal Control Systems

The systems of internal control are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of internal control are based on ongoing processes designed to identify and prioritise the risks to the achievement of the Authority'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 efficiently, effectively and economically.

The systems of internal control are reviewed in order to bring about improvements in those systems wherever possible and to ensure that they remain fit for purpose. The detailed controls outlined below represent those in place as at 31 March 2005 and up to the date of approval of the annual report and statement of accounts for the year ended on that date.

3. The Internal Control Environment

The Chief Constable is responsible for operational policing matters and the direction of police personnel. The Police Authority is responsible for securing and maintaining an efficient force. The Authority and constabulary work together to ensure that there are appropriate control mechanisms in place. The Accounts and Audit Regulations 2003 require that the Statement of Internal Control is prepared in accordance with proper practice, as represented in guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The areas of control set out below are taken from that guidance.

(i) Establishing and monitoring the achievement of objectives: -

The Constabulary's objectives are established from the following key sources:

- The National Policing Plan, issued by the Home Secretary
- Consultation with local communities
- Strategic assessment using the National Intelligence Model
- Crime and Disorder Reduction Partnership and Local Criminal Justice Board objectives.

The planning process follows a predetermined schedule with key milestones and is linked to the budget setting process to ensure that resources are available to progress objectives. The process culminates with the approval of the Police Authority Policing Plan. Departmental and Basic Command Unit (BCU) plans are subsequently produced to show how the Police Authority Plan will be delivered at local level.

The main groups involved in setting objectives are: -

- The Police Authority Policing Plan and Best Value sub-committee receives and endorses a draft plan which is subsequently approved by the full Police Authority
- The Chief Officer Group - the constabulary body which approves the draft plan
- Strategic Development department – who draft the plan and coordinate the public consultation process
- BCU and departmental management teams – who develop local plans which deliver corporate objectives and also address local priorities

Objectives were formally monitored for the first three quarters of the year at the Force Strategy Group. In the final quarter of the year, this was replaced by an outcome focused Performance Development Conference, supplemented by monthly detailed scrutiny meetings between Chief Officers and individual Commanders and Directors. The Police Authority Audit and Performance committee receive quarterly reports relating to performance objectives. The Police Authority has established specific committees to review and monitor particular aspects of the Constabulary's performance, including the Personnel committee, the Community and Race Relations committee and the Professional Standards Committee.

(ii) Policy and decision making

The Police Authority has a range of policy and decision making responsibilities, many of which are prescribed by legislation. These include: -

- agreeing an annual budget and local Council Tax for policing
- consulting with local communities to help determine public priorities for policing and the costs they are prepared to pay via the Council Tax

- agreeing the strategic direction for the constabulary, including performance targets, as described in annual policing plans
- ensuring continuous improvement through Best Value
- monitoring performance of the constabulary

A committee structure has been established to support the role of the main Authority in managing these responsibilities.

Policy and decision making within the constabulary ultimately rests with the Chief Constable. A structure of boards exists to support him in this process, with delegated authority to make policy. The board structure, reviewed in the last quarter of the year, is as follows:

- Chief Officer Group – made up of the Chief Constable, Deputy Chief Constable, the Assistant Chief Constable (Operations) and the Assistant Chief Constable (Organisational Development and Partnerships).
- Resources and Standards Board - led by the Deputy Chief Constable and comprised of Directors responsible for professional standards, legal, personnel, finance and resource management services.
- Operations Board - led by the Assistant Chief Constable (Operations) and comprised of all Commanders, and Superintendents in charge of sections which impact directly on operations. Responsible for operational service delivery.
- Organisational Development and Partnerships Board - led by the Assistant Chief Constable (Organisational Development and Partnerships) and comprised of Directors responsible for strategic development, partners, information and programme management services.

Terms of reference are in development for all the Boards and corporately agreed guidance exists to support the decision making process. Policy development is controlled by the Boards, and is carried out in accordance with detailed procedure, including vetting and consultation.

(iii) Policy and Risk Management

Policy is formally promulgated through Force Orders and is disseminated through internal communication mechanisms, and training when appropriate. A library of policies exists on the Constabulary intranet and is available as a reference to all staff. Each policy has a designated owner, who is responsible for ensuring policies are complied with and that this is checked on a periodic basis as part of normal management practice. Internal reviews, such as Best Value reviews, include within their scope compliance checks on relevant policies. Arrangements have been introduced for 2005/6 to support additional policy compliance audits.

The key elements of the Constabulary's Risk Management framework are set out below: -

- The Constabulary has a Risk Management Mission Statement and Policy statement. These statements raise the awareness of risk management within the Constabulary. The Policy was amended and updated during 2004-05 and was approved by the Resources and Standards Board in February 2005.
- The Constabulary has a Risk Management Strategy Statement which provides the foundation for the development of a risk management culture within the Constabulary. The strategy is subject to review due to the change in the board structure. The strategy provides managers at all levels across the Constabulary with an understanding of their responsibilities in relation to Risk Management.
- The Constabulary has a Risk Register, which is comprised of three separate registers resulting from Risk Workshops in 2001, 2003 and 2004. Concerns have been raised in relation to the appropriateness of the Register and the Constabulary is therefore in the process of developing a Strategic Risk Register, which will build on the earlier Registers. The Strategic Risk Register will be managed by the Strategic Risk Group. Sitting beneath the Strategic Risk Group will be three separate Risk Registers belonging to the three boards, which will be managed by those boards. The current Risk Register identifies significant risks and prioritises those risks, taking into account the probability of the risk and its potential impact.
- The Risk Management Group was named the Strategic Risk Group (SRG) in 2004-05. The composition of SRG was reviewed to make it more effective and efficient. The SRG is comprised of individuals from across the various disciplines across the Constabulary. The SRG places a greater emphasis on key corporate and strategic risks with the three boards and BCU's / Departments owning and managing other risks.
- Part of the Risk Management strategy involves the purchasing of insurance cover to protect assets and minimise liabilities, where taking insurance is either legislated or is assessed as beneficial to do so. The insurance policies provide for differing excess levels, which means that some proportionate risks are met internally. Insurances are reviewed annually and provision is made to meet the possible costs arising from incidents not covered by insurance.
- The Police Authority and the Constabulary are committed to the health and safety of all staff. This commitment is reflected in the Health and Safety Policy and Occupational Health Policies, which each aim to achieve the highest possible standards of health, health and safety and the creation of a safer working environment for all.
- The Constabulary has a Professional Standards department, whose responsibilities include pursuing the highest standards of integrity and behaviour. The unit aims to minimise risks to the constabulary of any inappropriate or unethical behaviour.
- The Bichard report, presented in response to the Soham murders, raised a number of issues for the police service. They included: -
 - IMPACT and requirements for information sharing
 - A Code of Practice for Information sharing (CoPIM)
 - Vulnerable people
 - Vetting and disclosure

The Constabulary is responding to these issues as set out below. Firstly, in relation to IMPACT, a formal plan is being prepared which will set out how the Constabulary will become compliant against the requirements for sharing information. In relation to CoPIM, work has commenced to assess the impact of the code and how the Constabulary can become compliant. With regard to Vulnerable people, a steering group has been set up and a detailed action plan agreed, to both meet the requirements of Bichard and the complimentary guidance issued by the National Centre for Policing Excellence (NCPE). Finally, with regard to Vetting and Disclosure, the Constabulary has strengthened its resources in this area by establishing a dedicated general security, Vetting and disclosure unit, headed by a Chief Inspector, and including a legal advisor and Data Protection officer.

(iv) Efficiency, Effectiveness, Continuous Improvement and Best Value

- The constabulary has well-established arrangements for supporting the Authority in delivering its statutory duty of Best Value. The Police Authority Policing Plan and Best Value Committee discharges this responsibility on behalf of the Police Authority. Within the constabulary, the Best Value Board led by the Assistant Chief Constable (Organisational Development and Partnerships) directs the activity of the Best Value team.
- The constabulary has produced a Best Value Policy & Strategy handbook, which details the policy, processes and procedures relating to Best Value within the organisation. An annual programme of reviews and supporting activities is in place, and reviewed quarterly. Findings from the reviews are developed into action plans that are then implemented by the relevant business owner.
- The Audit and Performance Committee monitor implementation of Best Value recommendations on behalf of the Authority.
- Managers in the constabulary conduct improvement reviews, with the Best Value team supporting and advising on a consultancy basis.
- For 2004/5, the constabulary was required to prepare an annual efficiency plan, setting out how savings amounting to 2% of net expenditure were to be made, whilst maintaining overall operational performance. For the future, the constabulary has produced a three year efficiency plan to achieve savings of 3% of net expenditure, half of which must be cash savings. The constabulary has carried out a corporate efficiency review during 2004/5, which has resulted in the production of a three year strategy and detailed plan. Development and delivery of efficiency plans is overseen by Performance and Efficiency Steering Group (PESG), which is chaired by the Assistant Chief Constable (Organisational Development and Partnerships). The efficiency plan is approved by

Policing Plan and Best Value Committee and is monitored quarterly by Audit and Performance Committee.

- Resources have been dedicated to developing new efficiencies from 2005/6.

(v) Financial Management and Reporting

The key elements of the Authority's financial management framework are set out below. They aim to follow professional best practice at all times.

- The Authority has comprehensive Financial Regulations, which establish detailed financial controls covering a range of different aspects of financial management. The regulations are reviewed on a periodic basis and are currently again being reviewed.
- The Constabulary has detailed financial rules, which are supplementary to the Authority's regulations. They are used to ensure proper management of resources devolved to the Chief Constable.
- The Authority has detailed Contractual Standing Orders, revised in 2003-04, which set out the processes to be adopted relating to the supply of goods and services.
- A protocol between the Police Authority Treasurer and the Constabulary Director of Finance and Resources has been agreed, to clarify the respective roles within the Authority and Constabulary.
- Budget planning: -
 - The Authority receives regular reports relating to budget planning. All reports are in the joint names of the Treasurer and Chief Constable.
 - A Medium Term Financial Forecast is prepared and rolled forward on an annual basis.
 - Structured processes exist to determine spending priorities
 - Annual budgets must be approved by a majority of the total membership of the Authority including a majority of the 'elected' members of the Authority.
- Budget Management
 - The Constabulary has a scheme of financial delegation, which gives individual budget holders local control of financial resources, within a framework designed to ensure overall control. Budget holders are required to formally accept devolved resources subject to specific terms and conditions, which set out local powers and responsibilities.
 - Both the full Authority and Audit and Performance Committee receive regular reports showing expenditure against the budget including explanations of budget variances.
 - The Force Strategy Group receive regular financial reports, setting out the local financial performance of BCU's and Departments, collated to show the overall position of the

constabulary. The Constabulary reviewed its board structures during 2004-05 and agreed to abolish its strategy group. Future financial reports will be presented to the Resources and Standards board.

- The statutory year end accounts are presented to members in line with the legal deadlines.
- Treasury Management – The Authority approves an annual Treasury Management strategy and receives periodic reports on Treasury Management activities. The Authority also approves an annual report which summarises activities in each financial year. The Authority has adopted the CIPFA Code of Practice on Treasury Management and has approved detailed Treasury Management Practices written in accordance with the Code.
- Prudential Indicators – The Authority has approved a suite of Prudential Indicators for the period to 2007-08 as set out in the statutory CIPFA Code of Practice on Capital Expenditure – the Prudential Code.

(vi) Performance Management and Reporting

- The constabulary has developed a performance management strategy setting out how it will deliver improvements to controls and processes in line with the national Performance Management Handbook.
- The constabulary has also developed an information management strategy, setting out how it will deliver the information required to enable performance development. Faster and more impactful performance information has been introduced.
- Chief Officers hold all senior managers to account in quarterly Performance Development Conferences, which were introduced during 2004/5. Monthly performance review meetings between Chief Officers and individual Commanders and Directors support the conferences.
- Each senior management board maintains an overview of progress on objectives for its area of business.
- Planning and performance management is informed by the prevailing National Intelligence Model strategic assessment, which ensures that the process is forward looking and dynamic, as well as taking account of achievements since the previous review.
- The constabulary has increased the resource available to performance management at local level from April 2005.

4. Review of Effectiveness

The Accounts and Audit regulations require that a review of the effectiveness of the system of internal control is undertaken at least annually. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and

senior officers of the Authority and Constabulary, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2004-05 are described below: -

(i) Police Authority

The Police Authority places responsibility on the Audit and Performance Committee and relies upon its work, as detailed in (ii) below, for monitoring the effectiveness of Internal Controls.

Following a Best Value review in 2002-03 of the way in which the Authority was administered, the Police Authority has subsequently approved and implemented a number of key strategic measures, aimed at improving and maintaining the effectiveness of systems of internal control. These have included: -

- The appointment of a full time Clerk and Chief Executive and a dedicated (part-time) Treasurer to strengthen the corporate management of the Authority. The changes also formalised the arrangements for fulfilling the role of the monitoring officer.
- The endorsement of revised Standing Orders relating to contracts
- The endorsement of a formal scheme of delegation, setting out the delegated responsibilities of a number of senior officers of the Authority and Constabulary across a range of functional areas in June 2004
- Fully documenting and revising the schedule of individual roles and responsibilities of Police Authority members
- The appointment in 2004-05 of a Performance Manager and Policy Adviser to provide added emphasis to an support for performance management and policy development
- The Authority's Internal Auditors have been contracted to comprehensively review Financial Regulations, (as noted elsewhere in this Statement) with a commitment to report to the Authority in September 2005

The Authority has in 2004-05, in advance of the of the Police Authority Self-Assessment and Improvement Framework being formally approved by the APA and HMIC, embarked on a review of its own performance, using the template modelled in the APA draft framework, and which it expects to complete by mid 2005-06.

(ii) Internal Audit and the Audit and Performance Committee

The Audit and Performance Committee agreed a plan of internal audit work for the 2004-05 financial year and received a report on the overall results of that work in June 2005. Reports of individual audits were also reported regularly during the year. Most of the audits carried out during the year were related to financial systems, although future audit plans will include more reviews of non financial systems. Follow up reports are also presented to the Committee to ensure that improvement recommendations have been properly implemented. The overall audit assessment for 2004-05 was that the systems

of financial control are operating well. From the 16 individual reports conducted during the financial year, 10 had been assessed as 'good' and 6 as 'satisfactory'. The Audit and Performance Committee also receive regular reports on operational and resource management performance including comparison with agreed targets.

The results of this review of effectiveness of internal control were presented and discussed with members of the Audit and Performance Committee on 27 July 2005.

(iii) Constabulary Risk Management Group

During 2004-05, the Risk Management Policy Statement and Strategy Statement have both been redrafted in light of the change to the Constabulary's board structure. The amended Risk Management Policy Statement has been formally approved by the Resources and Standards Board. The Strategy Statement is due to be approved during 2005-06.

The members of the newly named Strategic Risk Group have completed formal training in relation to Risk Management, provided by the Authority's insurers.

The membership of SRG has again been reviewed. The three Constabulary boards each have a formal responsibility for Risk Management within their terms of reference. These latest changes will, hopefully ensure that Risk Management is properly embedded within the Constabulary and will provide Strategic support for the wider processes.

(iv) Other Review / Assurance mechanisms

- External Audit

The District Auditor consults with the Officers of the Authority and Constabulary before presenting the annual audit plan to members of the Audit and Performance Committee. The Audit plan reflects the Audit Commission's risk based approach to audit planning. The District Auditor also presents the annual audit letter to the Police Authority. To date, all external audit letters have given an unqualified opinion on the Authority's statements of accounts. The latest annual audit letter received in 2004-05 stated that arrangements were in place to maintain systems of internal control. The letter also acknowledged the plans in place to strengthen Risk Management arrangements.

The Audit Commission undertook a number of specific reviews during 2004-05. These included in relation to compliance with the National Crime Recording Standard (NCRS) and the development of Activity Based Costing (ABC). In relation to NCRS, the review concluded that arrangements were graded via a traffic light system as 'red', both in relation to data testing and wider management arrangements. Areas for improvement have been agreed and are being taken forward. The Constabulary undertook an internal review of progress in March 2005, which made some further recommendations for improvement. A further review by the Audit Commission to monitor progress is planned for 2005-06. In relation to ABC, the Commission's review in 2004-05 identified a number of weaknesses, including in relation to the collection of data. An action plan has been agreed containing a number of areas for improvement, which has been taken forward.

- Her Majesty's Inspectorate of Constabulary (HMIC)

The Home Office appoints Inspectors of Constabulary to inspect and report to the Secretary of State on the efficiency and effectiveness of police forces. HMIC carry out thematic inspections on strategic topics determined by the Home Office, inspects Basic Command Units, and undertakes 'baseline assessments' of the constabulary's overall performance and services. The results of these inspections are published. HMIC also visit the constabulary quarterly to assess its performance and efficiency. Should the constabulary's performance fail to meet HMIC requirements, national arrangements are in place for direct Home Office engagement to improve it.

An inspection of North Cumbria BCU in February 2005 found that inadequate progress had been made on previous recommendations, and the BCU will be visited again in July 2005.

- National Centre for Police Excellence (NCPE)

NCPE is developing national mandatory codes of practice for key policing functions including an updated National Intelligence Model, use of firearms, and investigation of domestic violence, child abuse and missing persons. NCPE work with the constabulary to implement the codes of practice, which are then subject to compliance inspection by an appointed auditor.

5. Significant Internal Control Issues

The review of the effectiveness of the systems of internal control for 2004-05 has identified no significant control weaknesses, nor any major risks not being adequately addressed. Some internal control issues were raised during an external review of two disciplinary cases, which reported during 2004-05. These control issues have been incorporated into an action plan, which is being monitored by the Police Authority.

In January 2005, the Constabulary lost the use of its BCU HQ and station in Carlisle, as a result of storm damage. This has highlighted the need to review formal business continuity plans for all areas of the Constabulary's activities.

Clive Alcock
Clerk and Chief Executive

Douglas Thomas
Police Authority Treasurer

Michael Baxter
Chief Constable

Reg Watson
Police Authority Chairman