

**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## JOINT AUDIT COMMITTEE

**1pm – 28 March 2023  
Face-to-Face & Online by Microsoft Teams**

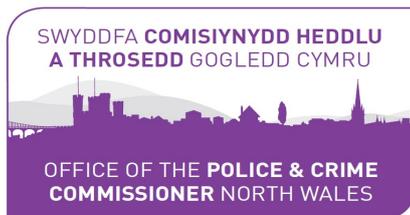
### AGENDA

#### Attendees:

<b>JOINT AUDIT COMMITTEE:</b>	
Rachel Barber - Chair John Cunliffe Allan Rainford	Julie Perkins Sarah Davies
<b>FORCE OFFICERS:</b>	
Seb Phillips – Director of Finance & Resources Guto Edwards - Head of Finance Helen Williams - Financial Control Accountant Anne Matthews – Finance & Budgets Officer T/Chief Superintendent Helen Corcoran – Corporate Services	James Sutton – Head of Business Intelligence/Chair of Assurance Board Jenny Parry – Head of People and Organisational Development
<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER:</b>	
Stephen Hughes – Chief Executive Officer Kate Jackson – Chief Finance Officer	Angharad Jones – PA to the Chief Executive
<b>OTHER ATTENDEES</b>	
Helen Cargill, TIAA	Michelle Phoenix, Audit Wales

	Standing Items		Purpose	Page	Time
1	<b>Apologies &amp; Declaration of Interest</b>	Chair			
2	<b>Minutes of the last meeting</b> The Chair shall propose that the minutes of the meeting held on 10 October 2022.	Chair		3-11	5 Mins
3	<b>Actions Log</b>	Chair		12-24	5 Mins
	<b>Standing Items</b>				
4	<b>Organisational Update</b>	Chief Executive Officer & Director Finance and Resources	Information	25-32	15 Mins

5	<b>HMIC Update</b>	Chief Superintendent Corporate Services	Assurance	33-39	20 Mins
6	<b>Internal Audit</b> a. Internal Audit SICA 2022/23 b. Management Report	a. Internal Audit b. Director Finance & Resources / Budget Officer	Assurance	40-50 51-63	10 Mins
7	<b>Risk Update</b> - Risk Process Development & Current Risk Register - Assurance Mapping - OPCC Risk Register	Head of Business Intelligence  Chief Executive Officer/Chief Finance Officer	Assurance	64-72	10 Mins
8	<b>Work Programme for 2023/24</b>	Director Finance and Resources and Chief Finance Officer	Decision	73-77	5 Mins
	<b>Substantive Items</b>				
9	<b>Audit Wales – Value for Money and Annual Audit Report (Management Letter)</b>	Wales Audit Office	Assurance	78-85	10 Mins
10	<b>Capital Programme – (including the Treasury Management Strategy)</b>	Head of Finance	Assurance	86-111	10 Mins
11	<b>Budget Briefing – how this is changing risks and view of risks</b>	Head of Finance	Assurance	Verbal	10 Mins
12	<b>Governance Update – incl draft AGS</b>	Chief Finance Officer	Information	112-116	5 Mins
13	<b>JAC Annual Report - report and discussion/Terms of Reference - update</b>	Chair	Information	Verbal	10 Mins
14	<b>Risk Deep Dive</b> • Attracting staff to apply for key roles in NWP (Risk 81)	Corporate Head of People and Organisational Development	Information	116-120	15 Mins
	<b>AOB (Advise the chair ahead of the meeting)</b>				
	<b>DATES OF FUTURE MEETINGS</b> 27 July 2023 28 September 2023 7 December 2023				
		TOTAL			2.10 Hrs



**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## JOINT AUDIT COMMITTEE

Conference Room 1 and Online (Hybrid)  
8 December 2022 at 9:30

### PRESENT

#### JOINT AUDIT COMMITTEE:

Rachel Barber – Chair  
John Cunliffe  
Allan Rainford  
Julie Perkins

#### FORCE OFFICERS:

Seb Phillips – Director of Finance & Resources  
Guto Edwards - Head of Finance  
Helen Williams - Financial Control Accountant  
Jonathan Bowcott – Superintendent Corporate Services  
Philip Kenyon, Force Solicitor  
James Sutton – Head of Business Intelligence  
Kerrie Ambrose – Vice Chair Ethics Committee  
Anna Pretious – Environment and Energy Conservation Manager (Item 15 only)

#### OFFICE OF THE POLICE AND CRIME COMMISSIONER:

Wayne Jones – Deputy Police & Crime Commissioner  
Stephen Hughes – Chief Executive Officer  
Kate Jackson – Chief Finance Officer  
Angharad Jones – PA to Chief Executive (minutes)

#### OTHER ATTENDEES

Jonathan Maddock, TIAA  
Michelle Phoenix, Audit Wales

### 1. APOLOGIES AND DECLARATIONS OF INTEREST

Sara Davies – JAC Member  
Helen Corcoran, Chief Superintendent, Corporate Services  
Anne Mathews - Finance and Budgets Officer  
Helen Cargill, Internal Audit, TIAA.

#### Declarations of interest:

John Cunliffe – Board member of the local Health Board (Betsi Cadwaladr University Health Board)  
Kate Jackson – relative working for Audit Wales

**2. MINUTES AND ACTION LOG**

The minutes of the meeting held on 10 October 2022 were agreed as a true record of the meeting.

**3. ACTION LOG**

The Action Log was updated and will be circulated with the minutes. Actions recommended closed and agreed closed were: 1, 2, 4, 6, 7 and 8.

**4. ORGANISATIONAL UPDATE**

The Joint Audit Committee noted the report from the Office of the Police and Crime Commissioner and North Wales Police which provided an update on the work undertaken since the last Joint Audit Committee meeting in October.

Office of the Police and Crime Commissioner

Joint Audit Committee noted the update provided by the Chief Executive Officer within the Office of the Police and Crime Commissioner since the last meeting.

Chief Executive Officer thanked the members who attended the Familiarisation event the previous day and stated that it had been a worthwhile day and thanked all involved in planning/delivering the day. It was also noted that having both Joint Audit Committee and Police and Crime Panel members together was very beneficial.

It was reported that the Office of the Police and Crime Commissioner’s public consultation survey had now opened for the public to have their say on the Commissioner’s strategic priorities and to inform the precept level that will be presented to the Police and Crime Panel in January.

The consultation will be open until early January and is being publicised widely. It was noted that it will be interesting to learn what channels will be most widely used.

Chair asked that members thanks was fed-back to all involved in the Familiarisation event and asked that any presentations from the day could be shared with members who were unable to attend.

Action 1	Presentations from the Familiarisation event to be saved on google drive to enable members who were not present to have sight of content.
----------	-------------------------------------------------------------------------------------------------------------------------------------------

North Wales Police

Director of Finance and Resources updated the Committee by exception on issues and events affecting the Force since the circulation of the report.

It was noted that revenue underspend had reduced since the last meeting but still a significant sum of £5.5m.

In the absence of detail within the Chancellors statement, the working assumption for policing is that the Comprehensive Spending Review of October 2021 will apply with two adjustments. The adjustments would be that the Health and Social care levy would be removed from the figures but that the additional pay award funding would be added.

The new Chief Constable is in post and a wider force operational review is taking place. The Chief Constable hopes to attend a future Joint Audit Committee meeting.

## 5. **HMICFRS UPDATE**

Joint Audit Committee noted the update provided within the paper.

Superintendent Corporate services noted that the PEEL inspection is now complete. Some changes have been made to the report, particularly around question 12 (VFM/strategic planning). The final report is expected in January and will be shared with members once received.

The Force has been informed that the Serious and Organised Crime and Vetting Inspection will not take place in February/March 2023. No new date has been given as to when this inspection will take place.

HMIC will be visiting North Wales in the week commencing 12 December to review progress against the causes of concern and recommendations arising out on the unannounced inspection of police custody suites. The Force are confident that most actions will be closed.

Chair requested that assurance is provided within future reports regarding the delivery of actions and how the committee can seek assurance that the Force is heading in the right direction and understand the risks associated with those actions.

Superintendent will take away for the next meeting and informed members that the HMIC have confirmed that they will remove/write off a number of actions and AFI's as they are historic. It was reported that the actions raised by HMIC are managed through the Organisation Learning Board.

Action 2	Superintendent Corporate Service to ensure that further detail regarding delivery of actions and associated risks are included within the next Joint Audit Committee meeting paper.
----------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## 6. **INTERNAL AUDIT**

### a. INTERNAL AUDIT SICA 2022-23

Joint Audit Committee noted the update provided within the paper which provides an update on progress against the 2022-23 Annual Plan. No concerns were reported and work is progressing well against the approved annual plan and all reviews on track to be completed before the end of March.

Committee members noted that a considerable number of audits are still to be undertaken during the current financial year and asked that they are provided with an update in January of completed/remaining audits.

Action 3	Internal Audit and Finance and Budgets Officer to provide members with an update during January of completed and remaining audits for 2022/23.
----------	------------------------------------------------------------------------------------------------------------------------------------------------

### b. INTERNAL AUDIT OVERVIEW – MANAGEMENT REPORT

Joint Audit Committee noted the paper which provides an overview of internal controls activity within North Wales Police.

Chair thanked officers for revising the format of the paper which now focuses on the management response.

## 7. RISK UPDATE

### RISK PROCESS DEVELOPMENT & CURRENT RISK REGISTER

Joint Audit Committee noted the update provided within the Risk Update paper as at 9 November 2022.

Joint Audit member noted that risk reporting and management is in a much better position now than a few years ago and offered his thanks to Head of Business Intelligence and his team for their hard work.

Chair also echoed her thanks to the Head of Business Intelligence and team for the session they had on risk which the Committee found beneficial.

Chair enquired whether there was an overarching risk related to the current economic climate. Understand that organisations usually look at individual risks basis but asked if a whole organisation/sector risk existed and whether this changes the risk assessment for the whole organisation.

Head of Business Intelligence stated that this is being dealt with partially through the Business Continuity Planning with a whole raft of issues being looked into and a Gold/Silver/Bronze structure being put in place to manage. A risk could be placed on the register, but this is currently being managed through Business Continuity to ensure that the Force is prepared for the challenges that arise and that the organisation is suitably prepared to deal with them.

Joint Audit Committee member noted that it may be necessary in the future to bring together a more interrelated risk and Head of Business Intelligence asked if member could share his view around risk assurance with officers.

Action 4	Joint Audit member John Cunliffe to share view around risk assurance with officers outside of meeting.
----------	--------------------------------------------------------------------------------------------------------

## 8. WORK PROGRAMME FOR 2022/23

Joint Audit Committee noted the updated work programme presented and Chief Finance Officer noted that the programme was updated throughout the meeting with members comments.

Joint Audit Member asked whether an item could be placed on the agenda updating members on the council tax/budget and note any difficult decisions the Police and Crime Commissioner had to make when setting the precept and weave into this update how this is changing our view of risk and whether any decisions made have created any greater risk.

Action 5	Chief Finance Officer to update Work Programme and present update paper on precept/budget in March JAC meeting.
----------	-----------------------------------------------------------------------------------------------------------------

Chief Executive Officer informed members that this level of detail will be presented to the Police and Crime Panel at its January meeting and that this is a public meeting and therefore members are welcome to attend/view on-line.

Members noted that the Police and Crime Commissioner's risks are not viewed presently by the Committee and observed that this is something that needed to be looked into and questioned how this could be achieved.

Officers noted that there were only two risks currently on the Police and Crime Commissioner's Risk Register as others sit on the Force Risk Register as they equally applied to the OPCC but welcomed meeting with Joint Audit Committee risk led to discuss.

Action 6	Chief Finance and Chief Executive Officers to meet with JAC Risk lead to review the OPCC risk register.
----------	---------------------------------------------------------------------------------------------------------

**9. AUDIT WALES – VALUE FOR MONEY AND ANNUAL AUDIT REPORT (MANAGEMENT LETTER)**

Audit Wales updated the Committee on the Annual Audit Report.

It was noted that the Annual Audit Letter had yet to be issued and that this would likely be issued in January/February 2023 as still auditing local authorities. Audit Wales stated that there was no deadline for this letter to be issued and confirmed that there were no underlying issues with the Force's annual audit which the letter, when issued, would confirm.

Joint Audit Committee questioned the delay in issuing this letter as not a local authority. Audit Wales stated that the Force/Office of the Police and Crime Commissioner are audited under the local authority legislation.

Chair noted that this is unfortunate and did not give confidence for those watching publicly that the organisation is as transparent as possible through no fault of its own.

**10. TREASURY MANAGEMENT PERFORMANCE**

The Joint Audit Committee noted the six-monthly update provided on Treasury Management and the activity undertaken within the first six months of 2022-23.

No breaches have been reported within the last 6 months with the Police and Crime Commissioner currently having a strong balance sheet which results in a net investor position going forward with no projected need to borrow in the medium-term. Interest rates have also increased which will provide extra income which helps to offset the increase in energy costs.

Joint Audit Member noted that no borrowing planned as internal balances are high at nearly a quarter of the budget and that this may not sit comfortably with the public.

Head of Finance stated that balances jumped in July as the Force receives its pension grant payment and will place a sentence in the narrative in future to explain this position and what are the average balances.

Joint Audit Member questioned the review of Counter Party List which concentrated on the credit rating of banks, but given that some local authorities are struggling and incurring significant amounts of debt would there be a greater amount of risk if the Force were to invest with these local authorities and whether Arlingclose could provide training on treasury management to members.

Head of Finance stated that in addition to the base strategy, advice is received from Arlingclose on a day-to-day, week-to-week basis. Because of this North Wales Police have taken some local authorities off their potential investment list and have no money invested with local government bodies at present.

Head of Finance will ask Arlingclose if they could provide members with Treasury Management training.

Action 7	Head of Finance to ask Arlingclose to provide Treasury Management training to JAC members.
----------	--------------------------------------------------------------------------------------------

**11. CAPITAL PROGRAMME – UPDATE**

Joint Audit Committee members noted the content of the paper that was presented to the Strategic Executive Board and presentation shared during the meeting.

Joint Audit member questioned whether the projects shown as starting in 2023/24 had been approved by the Police and Crime Commissioner and could there be a delay in allocating.

Head of Finance reported that discussions had been ongoing during the last week and that the spend has yet to be approved. Increases in costs are being ratified and agreed and a review of the value for money of these capital projects is also being considered.

Director of Finance stated that additional scrutiny and governance has been put in place which could mean that some projects being delayed but that steps are being put in place to address these issues and will be reflected in the capital strategy and capital programme that will be issued for sign off at the end of the financial year for the next five years.

Joint Audit stated that it would be helpful to see a more complete picture the impacts of deferring projects could have on the organisation, highlighting whether the Force would be improving or deteriorating in terms of their ability to stay on track with capital spend.

Officers stated that a graph exists and would be scrutinised at the Force Performance Board and is an area of focus within this board. This graph can be shared with audit committee members

Action 8	Director of Finance to share graph with audit committee members.
----------	------------------------------------------------------------------

Members asked if external additional funding was being sought to support the building of Holyhead Police Station given that there are some special requirements. Director of Finance and Resources confirmed that external funding is being explored but that the Force will assess as to whether the build still offers value for money and is the correct route.

**12. GOVERNANCE UPATE**

Joint Audit Committee noted the work undertaken by the Joint Governance Board and the input provided by the Assurance Board.

Draft Terms of Reference for the Joint Audit Committee would have been tabled at this meeting, but several points were raised at the last Governance Board meeting which are being worked through and it is hoped to bring the re-drafted Terms of Reference to the March committee meeting. Until the revised Terms of Reference are issued, the existing Terms of Reference remain.

13. **ETHICS UPDATE**

Vice-Chair of the Ethics Committee provided members with an update on the activities undertaken by the Committee over the past 12 months and the value that the committee can add.

Vice-Chair reported that the Chair of the Committee will be stepping away from her role and North Wales Police are in the process of recruiting a new external chair.

It was reported that the number of dilemmas received has remained consistent but that those received are now much more varied in nature and complexity. Regional and National feedback has also been received on the topics raised and fed-back to officers.

Chair enquired whether the membership had remained stable and if an element of consistency exists within the Committee for consistency of approach. It was reported that there are members of the Committee who have been involved since the beginning but that others are much newer meaning that there was a good variety to ensure consistency of approach but to also bring new ideas.

Chair asked if the Ethics Committee had been part of the Governance Review and Internal Audits to ensure that the processes are robust and fair.

It was reported that the Ethics Committee are included within the annual governance review, but officers present did not believe that they had been involved with Internal Audits. Director of Finance and Resources will take away and inform members outside of the meeting.

Action 9	Director of Finance and Resources to ascertain if Ethics Committee had been involved in the Internal Audits process.
----------	----------------------------------------------------------------------------------------------------------------------

Joint Audit Member asked whether other forces ask potential recruits/officers if they are members of the Freemasons organisation.

Vice-Chair of Ethics Committee explained that this is why this question has been taken forward to the Regional Ethics Committee meeting as North Wales Police would like the view of the other Forces and also understood that this question is being discussed nationally.

Director of Finance and Resources will ask if membership of the Freemasons features as part of any vetting process and report back to the Committee.

Action 10	Director of Finance and Resources to clarify whether applicants are asked whether they are members of the Freemasons as part of the application/vetting process.
-----------	------------------------------------------------------------------------------------------------------------------------------------------------------------------

Chief Executive Officer stated that there is a piece of legislation in place which prevents organisations from asking if applicants are members of the Freemasons.

Joint Audit Member asked if the structure/process of the North Wales Police Ethics Committee had been compared to others as much reference has been made to the Regional/National Committees.

Vice Chair of the Ethics Committee stated that North Wales Police are following similar structures to those of the Regional/National boards but are seen as a good example as North Wales have an external Chair and this is something that many other boards are copying and have recruited/recruiting external Chairs.

It was noted that the Medical Records dilemma was mentioned within the presentation but that there was no explanation as to what this dilemma was or its conclusions. To provide Joint Audit Committee with assurance that this process is working the Committee asked if they could have sight of a dilemma raised and its findings.

Vice Chair is happy to provide dilemma for Joint Audit Committee to read and any questions that the Committee may have can be raised outside of the meeting.

Action 11	Vice-Chair of Ethics Committee to share dilemma and outcome with Joint Audit Committee Members.
-----------	-------------------------------------------------------------------------------------------------

#### 14. **LEGAL UPDATE**

Joint Audit Committee noted the paper which provides an overview of legal activity undertaken within the Force in the last six months.

#### 15. **BRIEFINGS – SUSTAINABILITY AND DECARBONISATION**

Environment and Energy Conservation Manager provided the Joint Audit Committee with an overview and update on the sustainability and decarbonisation work being undertaken within the Force currently.

It was reported that the Force is currently working on their internal and external documents which report on the work being carried out within the organisation on reducing energy costs and decarbonisation. It was reported that the organisation needs to build on the work currently being undertaken and inform the public of this work.

Joint Audit member enquired whether the Force has the right skills/experts/partnership working in place to keep up with emerging technology.

Environment and Energy Conservation Manager reported that the Force is part of numerous networks who share best practice across the country and that specialists are bought in to advise on building works etc. An All-Wales Strategy document also exists which is an excellent document, and a medium-term financial plan is also being developed but that more needs to be done to further highlight the work being undertaken within the estate.

Chair asked what role the Committee have in ensuring the correct scrutiny is given to the environmental, decarbonisation and sustainability of the Forces' estate.

Director of Finance and Resources/Environment and Energy Conservation Manager to bring further paper to March 2023 Joint audit committee meeting to clarify role of Joint Audit Committee.

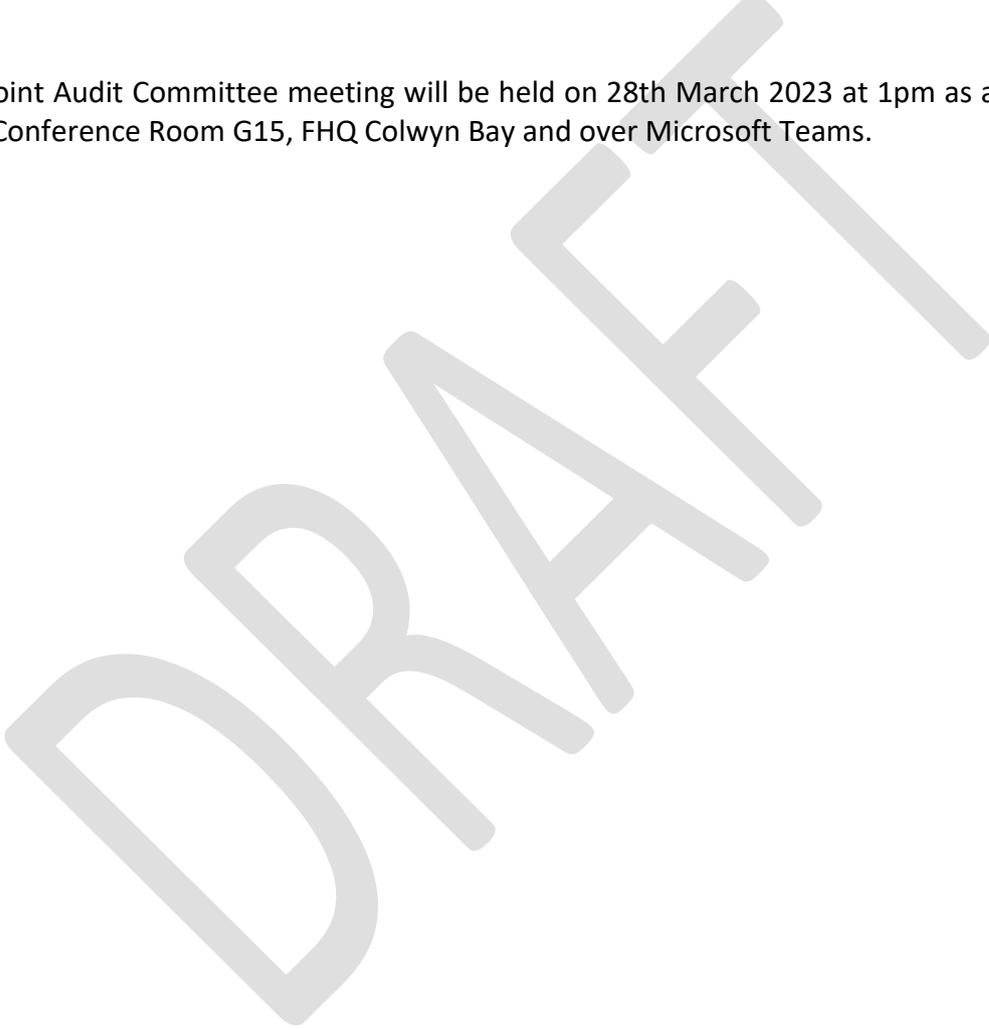
Action 12	Director of Finance and Resources and Environment and Energy Conservation Manager to produce paper setting-out the role of the JAC in scrutinising work.
-----------	----------------------------------------------------------------------------------------------------------------------------------------------------------

16. **ANY OTHER BUSINESS**

No further business was raised.

Chair thanked everyone for their work during 2022 and wished a happy festive season.

The next Joint Audit Committee meeting will be held on 28th March 2023 at 1pm as a hybrid meeting: in person at Conference Room G15, FHQ Colwyn Bay and over Microsoft Teams.



**JOINT AUDIT COMMITTEE  
ACTION LOG from 1.04.2022**

	Open
	Closed
	Deferred

**New/Open actions from March 2021**

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
10/10/2022	9	<b>Briefing deep dive – Communications Strategies - OPCC and NWP</b> - Consider and feedback to the Joint Audit Committee, how we provide value for money through managed communications to all our communities, to build on public confidence.	Ongoing	OPCC Head of Communications and Engagement & NWP Head of Communications	18/11/22 – DFR has contacted the respective leads to advise that the DFR and CFO will consider engaging with them on an appropriate communication plan. 08/12/2022 – Transparency on underspend ongoing. 03/03/2022 – Factored into March23 closed session agenda which will consider HMICFRS report findings and provide further update.
08/12/2022	1	<b>Organisational Update – OPCC</b> - Presentations from the Familiarisation event to be saved on google drive to enable members who were not present to have sight of content.	Immediate	PA to Chief Executive	Presentations saved on Google Drive. <b>Suggest action closed.</b>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
08/12/2022	2	<b>HMICFRS Update</b> - Superintendent Corporate Service to ensure that further detail regarding delivery of actions and associated risks are included within the next Joint Audit Committee meeting paper.	March meeting	Superintendent Corporate Services	<a href="#">03/03/2022 – HMICFRS PEEL Report link to be shared with JAC members ahead of meeting and HMICFRS PEEL update to feature on March23 agenda.</a> <b>Recommend action closed.</b>
08/12/2022	3	<b>Internal Audit – SICA</b> - Internal Audit and Finance and Budgets Officer to provide members with an update during January of completed and remaining audits for 2022/23.	January 2022	Internal Audit and Finance and Budgets Officer	<a href="#">21/12/2022 – Update shared with JAC Members</a> <b>Suggest action closed.</b>
08/12/2022	4	<b>Risk Update</b> - Joint Audit member John Cunliffe to share view around risk assurance with officers outside of meeting.	As soon as possible	John Cunliffe – JAC Member	<a href="#">06/03/2023 – Email sent to Head of Business Intelligence to provide a view on capturing the risks and its assurance. Will discuss further with officers if required.</a>
08/12/2022	5	<b>Work Programme for 2022/23</b> - Chief Finance Officer to update Work Programme and present update paper on precept/budget in March JAC meeting.	March meeting	Chief Finance Officer	<a href="#">01/03/2022 - Link to Police &amp; Crime Panel papers provided below.</a> <a href="https://modgoveng.conwy.gov.uk/ieListDocuments.aspx?CId=800&amp;MId=9252&amp;Ver=4">https://modgoveng.conwy.gov.uk/ieListDocuments.aspx?CId=800&amp;MId=9252&amp;Ver=4</a> <b>Suggest action closed.</b>
08/12/2022	6	<b>Work Programme for 2022/23</b> - Chief Finance and Chief Executive Officers to	As soon as possible	Chief Finance Officer / Chief Executive	<a href="#">14/2/23 – CFO met with J Cunliffe 14 February 2023 to go through risk management within the OPCC, including how risks are escalated to/de-escalated from the corporate risk register. JC asked whether the process and thresholds to escalate/de-</a>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
		meet with JAC Risk lead to review the OPCC risk register.			escalate risks are consistent across the OPCC and force. CFO referred the matter to Corporate Risk and Continuity Lead for conformation. <b>08/03/23 – NWP Risk Lead reported</b> -OPCC Risks are recorded on the Force Risk Register if they meet the same threshold as per NWP Risks. This is done via an agreed Scoring Process and in accordance with The Risk Management and Assurance Mapping Framework. Any OPCC Risks that are requested to be Closed, again follow the same process. OPCC risks are reported to the Strategic Executive Board for strategic oversight and review. <b>Suggest action closed.</b>
08/12/2022	7	<b>Treasury Management Performance</b> - Head of Finance to ask Arlingclose to provide Treasury Management training to JAC members.	As soon as possible	Head of Finance	22/12/22 - Treasury advice has been sent out to tender with a closing date of early January.
08/12/2022	8	<b>Capital Programme – Update</b> – Director of Finance and Resources to share graph with audit committee members	As soon as possible	Director of Finance and Resources	06/03/2023 - Slide deck outlining financial performance re. Capital expenditure shared with audit committee members. <b>Suggest action closed</b>
08/12/2022	9	<b>Ethics Update</b> - Director of Finance and Resources to ascertain if Ethics Committee had been involved in the Internal Audits process.	Immediate	Director of Finance and Resources	02/03/2022 – No specific Ethics audits undertaken in recent past or TIAA activity triggered as a result of Ethics Committee. <b>Suggest Action Closed</b> <b>Recommend action closed.</b>
08/12/2022	10	<b>Ethics Update</b> - Director of Finance and Resources to clarify whether applicants are asked whether they are members of the Freemasons as part of	Immediate	Director of Finance and Resources	02/03/2022 – DFR clarified with Force Vetting Manager who confirmed there is no specific Freemasons enquiry as part of the vetting process. <b>Recommend action closed.</b>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
		the application/vetting process.			
08/12/2022	11	<b>Ethics Update</b> - Vice-Chair of Ethics Committee to share dilemma and outcome with Joint Audit Committee Members.	Immediate	Vice-Chair of Ethics Committee	03/03/2022 - Context for action was Medical records ethical issue. Further information shared with audit committee members via group drive following the meeting. Suggest Action Closed.
08/12/2022	12	<b>Briefings – Sustainability and Decarbonisation</b> - Director of Finance and Resources and Environment and Energy Conservation Manager to produce paper setting-out the role of the JAC in scrutinising work.	By March meeting	Director of Finance and Resources / Environment and Energy Conservation Manager	06/03/2023 - Intention would be to consider further alongside JAC TOR but main areas of focus where JAC could add value would be regarding compliance with legislation; compliance with force policy and once developed, periodic scrutiny of progress made in relation to force plans.

Closed actions since last meeting – Archived April 2022 – previously closed available on request

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
08/12/2021	2	<b>Organisation Update</b> - Chief Executive Officer to include provide further update on the governance structure of the commissioning service at future Joint Audit Committee meeting.	28/07/2022	Chief Executive Officer	16.03.2022 - A paper has been prepared using the Safer Streets funding as an example to give assurance to the JAC members on the governance in place when external funding is secured. Circulated 16.03.2022. <b>Recommend action closed.</b> 01.04.2022 Chief Finance Officer to schedule Deep Dive of governance of commissioning services into the work programme
08/12/2021	3	<b>Organisation Update</b> - Director of Finance and Resources to provide further feedback on activities being	28/03/2022	Director of Finance and Resources	04/04/2022 - The Head of POD has set up a weekly working group focussed on tackling the 'hard to fill' posts.

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
		undertaken to ensure difficult to fill roles are successfully recruited.			There are a range of posts being considered currently spanning ICT, Data, Procurement and others. The latest weekly update has been shared with JAC members via the google shared drive. 01.04.2022 – Members unable to read as briefing. Save onto Google Drive in different format. 04.04.2022 – This document has now been saved onto the Google Drive in Word format. <b>Recommend action closed.</b>
08/12/2021	1	<b>Minutes</b> – Chief Finance Officer to contact counterpart in South Wales OPCC to discuss involvement of JAC members in the Internal Audit Procurement process	10/01/2022	Chief Finance Officer	Chief Finance Officer has forwarded details of two North Wales JAC members to Chief Finance Officer in South Wales Police. <b>JAC member met with all Wales colleagues.</b> <b>Recommended action closed.</b>
08/12/2021	4	<b>Organisation Update</b> - Director of Finance and Resources to provide Joint Audit members with regular updates against the major milestones within the NEP programme roll-out.	Ongoing	Director of Finance and Resources	15/02/2022: PM and Programme Manager have provided a list of milestones and current status on progress. Further updates on progress can be provided on a quarterly basis as required. The milestones have been shared with all JAC members. Update included in Organisational report. 01.04.2022 – To be placed as a standing item on JAC agenda and monthly off-line meeting with JAC member to help reassure and feed into work programme. 22.06.2022 – Regular monthly meetings taking place to review progress on the digital programme between Head of Change & Collaboration, Head of Technology and JAC lead. Further updates to feature on the JAC agenda as required. <b>Recommend Action Closed</b>
08/12/2021	10	<b>Work Programme for 2021/22</b> - Joint Audit Committee to inform Chief Finance Officer of date preferences for the All-Wales Joint Audit Committee event.	10/01/2022	Chief Finance Officer	13/12/2021 - E-mail sent to JAC members asking that they respond with any unsuitable dates. 01.04.2022 – Hope to get two dates in the diary, one for formal training and one informal get together. Will canvas for dates as soon as possible. 01.04.2022 – possible dates circulated 05.04.2022 – availability shared with South Wales PCC office who are arranging event. Event organised for 7 June. <b>Recommended action closed.</b>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
08/12/2021	12	<b>Capital Programme</b> - Director of Finance and Resources to share Capital Programme Progress Update presentation with members.	23/12/2021	Director of Finance and Resources	09/12/2021 – Presentation placed on Google Drive for members information. 01.04.2022 Item to be added into work programme. <b>Recommended action closed</b>
01/04/2022	2	<b>Organisational Update</b> - Director of Finance and Resources to update Joint Audit Committee on how vulnerability and risk of power outages will be mitigated against in the future.	July Meeting	Director Finance and Resources	On closed session agenda. <b>Recommended action closed</b>
01/04/2022	3	<b>Organisational Update</b> - Director of Finance and Resources to identify officer who could fully briefing Joint Audit Committee on issues driving increase in demand and what long term risks this poses.	Ahead of July meeting	Director Finance and Resources	20/05/2022 – Will discuss before the accounts informal meeting or within the FMS agenda item. ACC/officer to attend. 29/6/22 – Head of LPS lined up to attend July closed session to provide briefing. <b>Recommend action closed.</b>
01/04/2022	4	<b>Organisational Update</b> - Chief Finance Officer to include a sustainability update on the future work programme.	Ahead of July Meeting	Chief Finance Officer	05/04/2022 – Discussed with Chair. <b>Recommend action closed</b>
01/04/2022	5	<b>Organisational Update</b> - Director of Finance and Resources to provide Joint Audit Committee with update on agile-working roll-out and how this work has progressed.	Ahead of July meeting	Director Finance and Resources	Added to work programme. <b>Recommend action closed</b>
01/04/2022	6	<b>HMICFRS Update</b> - Director of Finance and Resources to ask Superintendent Corporate Services to provide further clarification as to where the Force Scrutiny Board review is reported.	Ahead of July meeting	Director Finance and Resources	19/05/22 - HMIC recommendations are scrutinised at the Strategic Planning and Organisational Learning Board which Super Corporate Services Chairs and is attended by leads from areas in relevant business areas. This board is included in the Governance review which is currently being finalised by Sian Jones. There is a mixture of recommendations arising out of Inspections of other forces/thematic Inspections and recommendations arising out of NWP specific inspections. A highlight report goes to the force performance meeting chaired by DCC.

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
					<b>Recommend action closed.</b>
01/04/2022	9	<b>Work programme 2022/23</b> - Chief Finance Officer to share updated/revised work programme with Joint Audit Members.	Immediate	Chief Finance Officer	05/04/2022 – Prepared and shared with Chair. <b>Recommend action closed.</b>
	152	<b>JAC Annual Review/Annual Report (draft)</b> - Members and Officers to provide Chair Joint Audit Committee with any feedback ahead of July Joint Audit Committee meeting.	ASAP	Director of Finance and Resources	20/06/2021 – DFR submitted feedback for both reports. 04/08/2021 – As no action plan around JAC evaluation - action to remain open. 06/10/2021 – DFR has produced a draft action plan which will be circulated to CFO and CX for comment. 18/11/2021 – The draft action plan has been sent to CFO and CE and will be forwarded to the Joint Audit Committee Chair Rachel Barber. 08/12/2021 <b>Pending</b> until Joint Audit Committee review has taken place. 01/04/2022 – On agenda. 28/07/2022 – Recommendations to be shared with JAC members within two weeks. 21/09/2022 – Further feedback received from JAC members on 15/08/22. Feedback considered and incorporated to revised plan / work programme and recirculated to JAC chair for finalisation. 10/10/2022 – To be discussed in detail in meeting that follows main Committee meeting today. Action closed.
01/04/2022	1	<b>Organisational Update</b> - Chief Executive Officer to circulate Communications and Engagement Strategy to members outside of the meeting.	Before next meeting	Chief Executive Officer / Chief Finance Officer	05/05/2022 – Communication and Engagement strategy saved onto Google drive and JAC members informed. 20/05/2022 - Added to future work programme 28/07/2022 – This needs to be added to future work programme. 10/10/2022 – On the agenda today. Action Closed.
01/04/2022	7	<b>Internal Audit</b> - Director of Finance and Resources to consider suggestions and take into consideration when developing the APM.	Immediate	Director Finance and Resources	22/06/2022 – TIAA emailed with a request for the provisional APM for onward sharing with the JAC Digital lead. 28/07/2022 – Director Finance and Resources to chase again as yet to receive. 21/09/2022 – A briefing deep dive on Comms strategy features on the Oct agenda. The Force strategy has been shared with JAC members ahead of the meeting. <b>Recommend Action Closed.</b>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
01/04/2022	8	<b>Risk Update</b> - Chief Finance Officer to consider scheduling Deep Dive around the processes concerning risk into the Work Programme.	Immediate	Chief Finance Officer	DFR and CFO have been discussing this action and are liaising with Head of Business Intelligence. 21/09/2022 – Risk Management dedicated session incorporated into latest work programme. <b>Recommend Action Closed.</b>
01/04/2022	10	<b>Capital Strategy</b> - Director of Finance and Resources & Chief Finance Officer to highlight questions raised by members with Commissioner and use minutes of meeting as basis for this discussion.	Immediate	Director of Finance & Resources / Chief Finance Officer	05/04/2022 – Draft minutes shared with PCC to support decision. 28/07/2022 – Discussed regularly in Chief Constable forums and featured in SEB yesterday. Director Finance and Resources to feed back to JAC. 21/09/2022 – DFR to incorporate commentary on JAC key issues to future SMB and SEB Strategic Finance & Resources reports. <b>Recommend Action Closed.</b>
01/04/2022	11	<b>Governance Update</b> - Director of Finance and Resources to consider whether consideration to partnership working needs to be strengthened within the Annual Governance Statement and benchmark against document against other forces.	Immediate	Director Finance & Resources	22/06/2022 – AGS collaboration content reviewed. Final version of AGS to incorporate latest position regarding All Wales and West Coast Collaboration reviews. 28/07/2022 – Following Technical Briefing all items have been listed and logged with individuals to progress. Need to amend in Statement of Accounts. Ongoing. 21/09/2022 – Commentary considered and additional comments added to AGS. <b>Suggest Action Closed.</b>
01/04/2022	12	<b>Governance Update</b> - Chief Finance Officer to consider a Deep Dive on the Communications Strategy at the July Joint Audit Committee meeting.	Immediate	Chief Finance Officer	CFO and DFR discussing. 28/07/2022 – will be discussed at future JAC meeting. 21/09/2022 – Features on Oct JAC agenda. <b>Recommend Action Closed</b>
01/04/2022	13	<b>Wales Audit – audit plan</b> - Audit Wales to ascertain how often Audit Managers roles are rotated and report back to Joint Audit Committee.	Ahead of July meeting	Wales Audit	Wales Audit stated that maximum term of 7 years but that they would not rotate all staff at the same time. Staff will remain as is for forceable future. Wales Audit to present Rotation Policy to JAC meeting in October. <b>Action closed.</b>
28/07/2022	1	<b>Internal Audit</b> – Internal Audit to note within document why audits have been deferred	Immediate	Internal Audit	20/09/22 - This information was detailed in the March 2022 SICA as audits referred to relate to 2021/2022 audit plan; DFR has also updated the AGS, with the content specifically referencing the deferred audits agreed in JGB.

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
					More specifically the reference to the delayed audits was included as part of the AGS's review of effectiveness specifically in paragraph 4.6 "...the Fleet Management Strategy audit was deferred to 2022-23 at Management's request and the Collaborative Creditors and Payroll reviews were deferred to Quarter 2 of 2022-23." This is now reflected in the AGS' published versions of the Statement of Accounts. <b>Recommend Action Closed.</b>
28/07/2022	2	<b>Internal Audit</b> – Internal Audit to share with Joint Audit Committee how collaborative audits are chosen to ensure all are suitable for North Wales Police	Ahead of October meeting	Internal Audit	01/08/2022 - The risks were selected in discussion with the North Wales Police Risk and Business Continuity Lead. A shortlist was drawn up and the two risks were chosen as these were seen as common with the other Forces. As part of the review, the auditor also looks at the process end-to-end, not just at the given risks. So if there were any matters to note, for example in the way the other risks are documented, they would be identified. The auditor has also looked back at the review from last year, and from the year before, and tracked the journey since the current Risk and Business Continuity Lead came on board. 10/10/2022 – <b>Action Closed</b>
28/07/2022	3	<b>Internal Audit</b> - Internal Audit to share APM's on the Cyber security audit with Joint Audit Committee	As soon as possible	Internal Audit	07/09/2022 – Cyber security APM received and shared with JAC digital lead. <b>Recommend Action Closed.</b>
28/07/2022	4	<b>Internal Audit – ICT Fixed Assets Audit</b> - Chief Finance Officer to include Assets Review on future Joint Audit Committee work programme (6-12 months)	Immediate	Chief Finance Officer	21/09/2022 – ICT Fixed Assets features in the TIAA work programme in terms of a Follow Up Audit on the initial audit undertaken and a dedicated Collaborative audit included for 2022/23. The findings from these audits should prompt whether further incorporation to the work programme is required. <b>Recommend Action Closed.</b>
28/07/2022	5	<b>Work Programme</b> - Director of Finance and Resources to update Deep Dive subject priorities and circulate to members for discussion and comment.	Immediate	Director of Finance and Resources	16/09/2022 – DFR reviewed work programme and has shared working paper and proposed programme for Oct meeting with JAC Chair and JAC risk lead. <b>Recommend action closed.</b>
28/07/2022	6	<b>Work Programme</b> - Chair to discuss with officers in an off-line meeting whether level of debate/discussion versus deep	Ahead of next meeting	Chair Joint Audit Committee	10/10/2022 – Taking place following the main Committee meeting today. <b>Recommend action close.</b>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
		dive subjects is correct to fulfil the Committee's Terms of Reference.			
28/07/2022	7	<b>Statement of Accounts</b> - Head of Finance to provide Joint Audit Committee members with an update on progress in producing the Statement of Accounts before October meeting.	Ahead of next meeting	Head of Finance	21/09/2022 – DFR circulated action log from technical meeting to JAC lead member and JAC chair outlining how actions from the technical briefing session had been incorporated to the final accounts. Head of Finance to add further comment as required. <b>Recommend Action Closed.</b>
28/07/2022	8	<b>Capital Programme</b> - Director of Finance and Resources/Head of Change to ensure that Project Managers attend future meetings if concerns raised regarding individual projects.	Ongoing	Director Finance & Resources/Head of Change	21/09/2022 – DFR has outlined need for PMs to attend to Head of Change, Head of Technology & Head of Facilities and Fleet. Expectation is that the need to attend stems from JAC review of Capital strategy and subsequent updates. <b>Recommend Action Closed.</b>
28/07/2022	9	<b>Treasury Management – Performance</b> - Head of Finance to share Arlingclose guidance with Joint Audit Member	Immediate	Head of Finance	06/09/2022 – Head of Finance shared information with Joint Audit Member. <b>Recommend action close.</b>
28/07/2022	10	<b>Wales Audit Enquiries</b> - Director of Finance and Resources to share report of why procurement process was not followed with Joint Audit Committee.	Immediate	Director of Finance and Resources	29/07/2022 – DFR / Chief Exec agreed for paper to be shared with JAC members. <b>Suggest Action Closed</b>
28/07/2022	11	<b>JAC Annual Report and Evaluation</b> - Chair to share evaluation report received from officers with members for information and confirm within the next two weeks.	Immediate	Chair of Joint Audit Committee	15/09/2022 – JAC provided comments on the action plan. 10/10/2022 – To be discussed within the meeting to follow the main Committee meeting today. <b>Recommend action close.</b>
28/07/2022	12	<b>Governance Update</b> - Chief Superintendent Corporate Services to share review of governance structure with Joint Audit Committee members once approved by the Senior Leadership Team.	Once approved by SLT	Chief Superintendent Corporate Services	12/09/2022 Annual Review of North Wales Polices' Governance Arrangements shared with JAC members (Google drive). <b>Recommend action closed.</b>
28/07/2022	13	<b>Force Risk Management and Assurance Mapping Framework</b> - Director of Finance and Resources to discuss wording used when closing/re-opening risks with Head of Business Intelligence as current language used causing confusion.	Ahead of next meeting	Director of Finance and Resources	21/09/2022 – Use of terminology of closing / re-opening risks discussed with Risk leads in monthly Governance T&F group meeting. Approach is being considered further with a view to discussing further at the next meeting and picking up at the dedicated Risk Management Session. <b>Recommend Action Closed</b>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
28/07/2022	14	<b>Force Risk Management and Assurance Mapping Framework</b> - Director of Finance and Resources to arrange a session for members on how risk is managed within North Wales Police.	As soon as possible	Director of Finance and Resources	21/09/2022 – Incorporated to Work programme and dedicated session being arranged. 10/10/2022 – Session arranged for November. <b>Action Closed.</b>
10/10/2022	1	<b>Action Log:</b> Item 1 from 28/07/22 to be closed and Director of Finance and Resources to report how audit trail indicating how action was closed should be included within update	Ahead of next meeting	Director Finance and Resources	18/11/22 – Further narrative provided on the relevant action to demonstrate steps taken prior to closure. <b>Suggest Action Closed</b>
10/10/2022	2	<b>Organisational Update</b> – Provide an outcome overview around the spending of the Safer Streets grant funding, including the governance process, for the attention of Joint Audit members.	Ahead of next meeting	Chief Superintendent Corporate Services	Overview of Safer Street grant funding governance shared with JAC members. <b>Action closed.</b>
10/10/2022	3	<b>Organisational Update</b> - Consider any learning from the spending of the Safer Streets grant that could be applied to the wider force funds.	Ahead of next meeting	Chief Superintendent Corporate Services / Director of Finance and Resources	18/11/22 – DFR, Head of Corporate Services & Head of Finance met to discuss. Key points would be: <ul style="list-style-type: none"> <li>• The time bound nature of safer streets funding is a driving factor.</li> <li>• Staffing and supply chain difficulty have been less of a drag on spend compared to force budgets.</li> <li>• Balancing Governance and process with enabling delivery is a consideration for both safer streets and force spending.</li> </ul> <b>Suggest action closed.</b>
10/10/2022	4	<b>Organisational Update</b> - Provide analysis to Joint Audit members on the potential impact the cost of living crisis will have on the force.	Ahead of next meeting	T/ACC Alex Goss via Director of Finance & Resources	18/11/22 - There are 3 key strands in this area: <ol style="list-style-type: none"> <li>1). The likely impact on demand, crime and harm. This aspect continues to be monitored and considered in a number of specific areas such as acquisitive crime including shoplifting, hate crime and ASB.</li> <li>2). The likely impact on staff. A force survey has been undertaken and it is clear that the crisis is a cause of concern for our people with the group currently considering options around this.</li> <li>3). The impact on force budgets. The exceptional inflationary pressures have created a funding gap for the</li> </ol>

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE
					force in future years which is currently being considered as part of the organisational planning process. <b>Suggest action closed.</b>
10/10/2022	5	<b>Internal Audit</b> - Report back to the Joint Audit Committee on what the barriers are in terms of recruiting into the sys admin role, and whether the risk is heightened in this area without the dedicated resource.	Ahead of next meeting	Director of Finance & Resources	18/11/22 – Failure to recruit to this role was due to the final job evaluation grade, temporary 12 month nature of the role and a lack of interested parties internally and externally.  After failure to appoint on two occasions, the decision was taken to devise a Phase 2 activity plan to commence after deployment of NEP with the NEP Project Manager leading to complete actions once demand from the initial phase had released capacity.  The main impact is a delay and extension to project timelines with the PM liaising with subject matter experts to assess the ‘In-Life’ requirements and review whether a specific post may be required in future to administrate the system. 8/12/2022 – Hard to fill roles on risk register and a deep dive item on the March JAC agenda. <b>Suggest action closed.</b>
10/10/2022	6	<b>Risk Update</b> - Provide an update to how the force is managing risk no. 78 – Unsupported Windows 10 Operating System.	Immediate	James Sutton	28/10/22 - The Head of Technology will attend JAC on 08/12/22 to provide a briefing on <b>Risk 78 - Unsupported Windows 10 Operating System.</b> Action closed
10/10/2022	7	<b>Work Programme 2022/23</b> - Change Briefing deep dive terminology to JAC briefing within the Work Programme	Immediate	Director of Finance & Resources	18/11/22 – Terminology updated in the latest work programme. <b>Suggest action closed.</b>
10/10/2022	8	<b>ISA 260 and signing of accounts and AGS 2021/22</b> - Share the outcome of the post audit reviews from the Audit of Accounts with the Joint Audit members to enable them to be involved in the feedback loop.	Once available	Head of Finance	18/11/22 – HoF updated at the JGB that the meeting with Audit Wales was still to be scheduled. On the agenda. <b>Suggest action closed.</b>

Abbreviation Key	
CC	Chief Constable
CEO	Chief Executive Officer (OPCC)

<b>CFO</b>	Chief Finance Officer (OPCC)
<b>DFR</b>	Director of Finance and Resources (NWP)
<b>HMICFRS</b>	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
<b>JAC</b>	Joint Audit Committee
<b>NWP</b>	North Wales Police
<b>OPCC</b>	Office of the Police and Crime Commissioner
<b>PA</b>	Personal Assistant to CEO and CFO
<b>PCC</b>	Police and Crime Commissioner
<b>PSD</b>	Professional Standards Department (NWP)
<b>TIAA</b>	Internal Audit
<b>WAO</b>	Wales Audit Office

**Joint Audit Committee**

**Meeting Date: 28<sup>th</sup> March 2023**

<b>Title:</b>	OPCC Organisational Update
<b>Author:</b>	Stephen Hughes
<b>Purpose of the report:</b>	
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• Combatting incidents of sexual misconduct             <ul style="list-style-type: none"> <li>• Hunting Act – report published</li> <li>• Strategic Policing Requirement                 <ul style="list-style-type: none"> <li>• Public surgeries</li> </ul> </li> </ul> </li> </ul>
<b>Recommendations:</b>	None
<b>Risk register impact:</b>	None
<b>Assurance implications:</b>	None
<b>Equality Impact:</b>	None
<b>Information exempt from disclosure:</b>	None

	<p><b>Joint Audit Committee 28<sup>th</sup> March 2023</b></p> <p><b>OPCC Organisational Update</b></p>
-----------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------

## Updates

The previous meeting of the Joint Audit Committee (JAC) was held on 8<sup>th</sup> December 2022. This report will provide an update to the JAC on OPCC matters of note since then.

### Combatting incidents of sexual misconduct

Following the recent conviction and sentencing of a serving Metropolitan Police officer for multiple crimes of rape, violence against women and coercive behaviour, a report was prepared by North Wales Police, under the leadership of Chief Constable Amanda Blakeman, at the request of the North Wales Police and Crime Commissioner.

Policing nationally has been brought under significant scrutiny following several high-profile incidents where the integrity of those who serve in UK police forces has been brought into question. High standards are expected of police officers and it is imperative that they adhere to the same personal standards that they enforce. This need for transparency and accountability has led to the report being commissioned and published.

The report looks at the implications of the David Carrick case in the local context for North Wales Police, the prevalence of cases of misogyny in the Force, the numbers of cases under investigation and the measures in place to protect the public and ensure the correct vetting of officers.

The report notes that there are currently 27 conduct investigations ongoing relating to 24 individuals within North Wales Police. This number is among the 1662 Police Officers, 186 Police Community Support Officers, 1201 Civilian Staff and 100 Special Constables in the Force in total. 13 cases relate to violence against women and girls, including sexual misconduct and Police Perpetrated Domestic Abuse (PPDA).

The report also looks into measures to address any reports of misconduct by officers and to safeguard the public. To ensure reports of inappropriate behaviour are dealt with appropriately within the organisation and that victims are supported, the Force has developed a four-day Inclusive Leadership Programme (ILP) with Durham University Business School. It is being delivered to all first and second-line supervisors and uses an evidenced-based approach to focus on the importance of inclusive and supportive leadership. This is a critical factor in officers and staff having the confidence to report and challenge inappropriate behaviour by colleagues and supervisors.

Also key to upholding the Force's standards is the Professional Standards Department (PSD). All staff within the PSD undergo higher levels of vetting than normally expected and are suitably qualified to undertake the role. To provide appropriate scrutiny there is a quarterly PSD Scrutiny Panel, chaired by the OPCC Chief Executive, which provides the Office of the Police and Crime Commissioner with updates.

Shortly after Carrick's conviction, the Home Secretary announced that all forces are to check staff against national databases to identify if anyone has 'slipped through the net'. It is important to note that those checks will also include all OPCC staff.

The North Wales Police and Crime Panel have been briefed extensively on these matters. JAC members may recall that the North Wales Police and Crime Panel have previously appointed member champions for each of the PCC's strategic priorities. Following our recommendation, the Panel have agreed to appoint a member champion for Professional Standards. The Chief Executive will meet with them on a regular basis to keep them informed of our ongoing scrutiny in this area.

The report in full can be found [here](#).

### **Policing of the Hunting Act in North Wales – review published**

12<sup>th</sup> January 2023 saw the publication of the report following an independent review into the policing of the Hunting Act in North Wales. The review was commissioned in May 2022 by the PCC. While the review highlights that North Wales Police's actions are consistent with good practice, it also includes a set of recommendations for the Force on how it polices hunting across the region.

The report has been prepared by members of Cyfiawnder – the Social Inclusion Research Institute at Wrexham Glyndwr University, who sought the views of the pro-hunting and anti-hunting community, the police and others connected with the issue.

The review looked at enforcement challenges linked to Hunting Act 2004 for the police; what constitutes good practice in relation to policing the hunting ban; how well North Wales Police performs in relation to illegal fox hunting and incidents connected with hunting that are brought to their attention; and how well the Force complies with National Standards on recording, responding, investigating and prosecuting incidents connected to hunting.

North Wales Police have agreed all recommendations and an action plan has been put in place which will be monitored through the Strategic Executive Board.

Further details and the full report can be found [here](#)

## Changes to Strategic Policing Requirement

The Strategic Policing Requirement (SPR) is the document by which the Home Secretary fulfils her statutory duty to set out what are the national threats at the time the document is issued, and the appropriate national policing capabilities required to counter those threats. The revised SPR also includes guidance relating to outcomes, capacity, national standards, collaboration, and partnership working.

### Strategic Policing Requirement 2023

This revised SPR contains seven national threats overall, reaffirming the validity of six national threats from the previous version, which are terrorism, serious and organised crime (SOC), a national cyber incident, child sexual abuse, public order and civil emergencies, and including a new threat type for Violence against Women and Girls (VAWG).

Other changes include:

- a more detailed description of how threats should be tackled by police forces
- new governance and assurance arrangements
- an enhanced serious and organised crime section, to ensure prominence for crime types such as fraud and organised immigration crime

### Governance and Accountability

The governance and accountability section of the SPR sets out how the SPR is to be embedded in the policing landscape of England and Wales to ensure it has a 'meaningful place'.

The SPR states that:

*'PCCs are required to have regard to this SPR when issuing or varying their police and crime plans. They must keep the police and crime plan under review in light of any changes made to the SPR by the Home Secretary. Chief Constables must have regard to both the police and crime plan and the SPR when exercising their functions. PCCs are responsible for holding them to account for doing so. . . The expectation is that the PCC and Chief Constables should follow the SPR unless they are satisfied that, in the particular circumstances, there are good reasons not to.'* [Words omitted]

The SPR sets out two assurance mechanisms by which this will be achieved. Firstly, PCCs will provide an annual assurance statement within their annual reports on how they have had regard to the SPR and how it has influenced their setting strategic direction and objectives for their Force. Secondly, the Association of Police and Crime Commissioners will provide an annual summary of the assurance statements to the Policing Minister.

### **Monthly advice surgeries**

The PCC recently launched a new monthly advice surgery for residents. The initiative will enable local people to discuss policing in their communities and to raise any concerns or comments they might have with the Commissioner.

A monthly meeting will be held in towns and villages across the North Wales area, both large and small, rural and urban, and right across the six counties. The first surgery took place in Bala with further locations now confirmed as Ruthin, Pwllheli, Bangor and Barmouth. Further locations for the remainder of 2023 will be announced in due course.

<b>Report Author:</b>	<b>Stephen Hughes, Chief Executive</b>
-----------------------	----------------------------------------

## **JOINT AUDIT COMMITTEE**

**28<sup>th</sup> March 2023**

### **Organisational Update**

#### **Report by Director of Finance & Resources, North Wales Police**

##### **1. Introduction**

This report provides a high-level Organisational Update for North Wales Police, highlighting key issues and events affecting the organisation for the period from 17.11.22 to 03.03.23.

The issues and events are analysed between the four categories of Finance; People, Learning & Innovation; Operational, and Public / Community.

##### **2. Finance**

2.1 Q3 revenue projections for the current FY continue to forecast an underspend of £6.2m. Whilst inflationary cost pressures have impacted a number of budget line items, the key drivers of the underspend remain as reported in earlier periods with the implementation of Uplift allocations and other growth the most significant factors (both of which are expected to dissipate in FY23-24).

2.2 The Capital Programme for the current FY also shows an underspend with an estimated outturn of £8.8m against a budget of £11.2m. The underspends are well understood and are being actively managed as appropriate.

2.3 Budget proposals for FY23-24 for a total budget of £189.0m (an increase of 3.7% on the current year and taking account of the underspends referenced above) were unanimously supported by the Police and Crime Panel on 30<sup>th</sup> January 2023 based on achieving a balanced position through:

- Incorporating the exceptional inflationary cost pressures of 7.1% / £13m to the financial plans.
- Restricting any additional expenditure to unavoidable / essential elements of £1.2m.
- Identifying £3.8m of savings for FY23/24 from various areas of the force.
- An increase in base Government grant of 0.35% and total Government grants of 1.9%.
- An increase in precept of 6.8% to £100.2m based on an increase in Council tax of 5.14% (the equivalent to £333.09 per annum, an increase of £16.29 per annum, or 31p per week for a band D property) and an underlying increase in tax base.

2.4 Considering the future financial outlook inflationary pressures; uncertainties around pay; the conclusion of Uplift officer allocations and further uncertainty regarding future funding settlements will all continue to be important factors for the force as it seeks to ensure a sustainable financial platform exists moving forwards.

##### **3. People, Learning & Innovation**

3.1 With an emphasis on the Trust, Confidence & Legitimacy agenda, the Chief Constable has commissioned an independent cultural audit of the force to better understand its culture and to identify any key areas for improvement. The review commenced in

February 2023 and will be conducted in a number of phases, including desk-based analysis, interviews and a cultural survey.

- 3.2 The Chief Constable has also commissioned work around shaping the future direction of the force including work around its values. A series of workshops will take place in March 2023 across departments to help shape the Chief Constable’s vision and strategy documents.
- 3.3 The force continues to progress the recruitment of its Uplift allocation and whilst it has been extremely challenging, it is still projected to meet its target by the end of the financial year. The maintenance of Uplift for FY23/24 is a feature of the Government’s financial settlement (with certain finances ring-fenced) and this has been considered when establishing recruitment plans for the coming year.
- 3.4 Recruitment more broadly remains challenging, particularly in respect of the Forensic Collision Investigation Network, given the specialist skillset required.
- 3.5 In January 2023 the Force commenced the roll-out of a leadership programme for all first- and second-line managers (officers and staff) focussed on supportive leadership with a further seminar for senior leaders on inclusive leadership being planned for April 2023.
- 3.6 The Federation Pay & Morale Survey was published in January 2023. Pressures caused by increases in the cost of living were a feature and will feed into the Cost-of-Living Gold Group chaired by Ch Supt Goss, as well as other themes that will be considered as part of an Optimisation Programme led by Ch Supt Harrison.
- 3.7 Final contract negotiations are underway before the Force transitions to the new ICT TOM in April 2023 and good headway has been made with recruitment into the ICT in house team. Whilst the ICT TOM is being progressed, careful prioritisation of ICT resources remains a key consideration with complex workstreams such as the ongoing Command & Control Upgrade requiring significant technical support and expertise.
- 3.8 Other key change programmes for the force continue to progress with its new MI platform and Mobile app entering and approaching pilot phases respectively.

#### 4. Operational

- 4.1 The HMICFRS PEEL inspection report for NWP was published in January 2023 following the inspection in June 2022. The report is publicly available with the force gradings summarised below. The force is now considering progressing Areas for improvement identified within the report:

##### Overall summary

Our inspection assessed how good North Wales Police is in nine areas of policing. We make graded judgments in 8 of these 9 as follows:

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Preventing crime	Treatment of the public	Investigating crime	
	Responding to the public	Protecting vulnerable people		
	Developing a positive workplace	Managing offenders		
		Good use of resources		

- 4.2 Further to the above, in February 2023 the Force was subject to a joint inspection around child protection arrangements with Denbighshire County Council that included HMIC with the formal report awaited.
- 4.3 An Optimisation Programme for the force has also been established, led by Ch Supt Harrison, to look at the policing model in North Wales Police and to consider where it could be developed to better service demand and provide the best possible service to the public.
- 4.6 Ch Supt Goss has been leading on the Force response to wider industrial action and other elements of winter disruption with the contingency plans minimising any service impact on the force.
- 4.7 The Hilton Garden Inn Snowdonia in Dolgarrog was designated by the Home Office in November 2022, as a site to provide emergency accommodation to asylum seekers whilst applications were being processed. The force worked closely with partners, key stakeholders and the community to ensure that this passed without issue, and the site has now been closed.
- 4.8 Performance monitoring at Force and OPCC level continues with key performance updates from the Strategic Executive Board held on 15<sup>th</sup> February 2023 including deep dives into the priority areas of Visibility & Engagement and Residential Burglary. The areas with directed improvement plans continue to progress.

## **5. Public / Community**

- 5.1 Trust and confidence in policing nationally has been further impacted following the conviction, and recent sentencing, of David Carrick. The PCC released a report on 20<sup>th</sup> February 2023, which looks at the implications of the case in the local context for North Wales Police, the prevalence of cases of misogyny in the Force, the number of cases under investigation and the measures in place to protect the public and ensure the correct vetting of officers. The report notes that there are currently 27 conduct investigations ongoing relating to 24 individuals within North Wales Police. This number is among the 1662 Police Officers, 186 Police Community Support Officers, 1201 Civilian Staff and 100 Special Constables in the Force in total. 13 cases relate to violence against women and girls, including sexual misconduct and Police Perpetrated Domestic Abuse (PPDA).
- 5.2 The Prime Minister announced that all police officers and police staff will undergo checks against the Police National Database (PND). Chief Constable Amanda Blakeman is the national NPCC Lead for the Police National Database, and North Wales Police will be one of the first forces to undergo these checks. Resourcing in the Professional Standards Department has been strengthened to ensure this is expedited.
- 5.3 North Wales Police has been awarded Disability Confident Leader Level 3 status following validation and review of its status and practices by a neighbouring force.
- 5.4 NWP is looking to recruit approximately 25 Young Ambassadors aged 16-24 to inform and support the police in relation to matters affecting young people and to have a say on policing in the area they live. Application forms are available from the Recruitment page of the North Wales Police web site.

## **6. Recommendations**

For members of the Joint Audit Committee to note the Director of Finance & Resources' report.

**Joint Audit Committee**

**March 2023**

<b>Title:</b>	HMICFRS Update																										
<b>Author:</b>	Sarah O'Hara																										
<b>Purpose of the report:</b>	Update in relation to HMICFRS Inspections																										
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information																										
<b>Summary / Key Points:</b>	<p><b>Police effectiveness, efficiency, and legitimacy (PEEL)</b></p> <p>The PEEL (<i>Police Effectiveness, Efficiency and Legitimacy</i>) report for North Wales Police was published on Thursday 2<sup>nd</sup> February 2023.</p> <p>The full report can be accessed here: <a href="https://www.justiceinspectors.gov.uk/hmicfrs/peel-assessments/peel-assessments-2021-22/north-wales/">https://www.justiceinspectors.gov.uk/hmicfrs/peel-assessments/peel-assessments-2021-22/north-wales/</a></p> <p>The report inspected the below areas of policing and resulted in the following gradings and AFIs:</p> <table border="1"> <thead> <tr> <th>Area</th> <th>Grading</th> <th>No of AFIs</th> <th>Area For Improvement</th> </tr> </thead> <tbody> <tr> <td>Providing a service to the victims of crime</td> <td>Ungraded</td> <td>-</td> <td>-</td> </tr> <tr> <td>Engaging and treating the public with fairness and respect</td> <td>Adequate</td> <td>1</td> <td><b>AFI 1</b> - The force should ensure that, in relation to its use of force, all relevant officers and staff are recording when force is used and that there is effective supervisory oversight.</td> </tr> <tr> <td>Preventing crime and anti-social behaviour</td> <td>Good</td> <td>-</td> <td>-</td> </tr> <tr> <td>Responding to the public</td> <td>Good</td> <td>1</td> <td><b>AFI 2</b> - The force needs to attend calls for service in line with its published attendance times and ensure, that when this does not occur, victims are fully updated</td> </tr> <tr> <td>Investigating Crime</td> <td>Requires Improvement</td> <td>3</td> <td><b>AFI 3</b> - The force should make sure investigations have supervisory oversight ensuring that all investigative opportunities are considered.</td> </tr> </tbody> </table>			Area	Grading	No of AFIs	Area For Improvement	Providing a service to the victims of crime	Ungraded	-	-	Engaging and treating the public with fairness and respect	Adequate	1	<b>AFI 1</b> - The force should ensure that, in relation to its use of force, all relevant officers and staff are recording when force is used and that there is effective supervisory oversight.	Preventing crime and anti-social behaviour	Good	-	-	Responding to the public	Good	1	<b>AFI 2</b> - The force needs to attend calls for service in line with its published attendance times and ensure, that when this does not occur, victims are fully updated	Investigating Crime	Requires Improvement	3	<b>AFI 3</b> - The force should make sure investigations have supervisory oversight ensuring that all investigative opportunities are considered.
Area	Grading	No of AFIs	Area For Improvement																								
Providing a service to the victims of crime	Ungraded	-	-																								
Engaging and treating the public with fairness and respect	Adequate	1	<b>AFI 1</b> - The force should ensure that, in relation to its use of force, all relevant officers and staff are recording when force is used and that there is effective supervisory oversight.																								
Preventing crime and anti-social behaviour	Good	-	-																								
Responding to the public	Good	1	<b>AFI 2</b> - The force needs to attend calls for service in line with its published attendance times and ensure, that when this does not occur, victims are fully updated																								
Investigating Crime	Requires Improvement	3	<b>AFI 3</b> - The force should make sure investigations have supervisory oversight ensuring that all investigative opportunities are considered.																								

Area	Grading	No of AFIs	Area For Improvement
<b>Investigating Crime (cont)</b>	<i>Requires Improvement</i>	3	<p><b>AFI 4</b> - The force needs to make sure that it complies with the requirements of the Codes of Practice for Victims of Crime. This includes offering people the opportunity to make victim personal statements and completing a victim needs assessment.</p> <p><b>AFI 5</b> - The force needs to implement appropriate governance and monitoring processes to make sure that the use of outcomes is appropriate and that it complies with force and national policies.</p>
<b>Protecting Vulnerable People</b>	Adequate	2	<p><b>AFI 6</b> – Within six months the force should demonstrate that it has sufficient capacity within the Central Referral Unit (CRU), and that this has resulted in timely risk assessments being completed and staff able to attend multi-agency meetings.</p> <p><b>AFI 7</b> - The force should be more proactive in promoting multi-agency working to ensure that vulnerable people are safeguarded effectively.</p>
<b>Management of Offenders and Suspects</b>	Adequate	2	<p><b>AFI 8</b> - The force should review its digital capability within Online Child Abuse Investigation Teams (OCAIT) and Management of Sexual or Violent Offenders (MOSOVO).</p> <p><b>AFI 9</b> – The force should review its sex offender management practice.</p>
<b>Building, supporting and protecting the workforce</b>	Good	-	-
<b>Strategic planning, organisational management and value for money</b>	Adequate	2	<p><b>AFI 10</b> - The force needs to fully understand its capability and capacity to ensure it uses resources more efficiently to provide better services to its communities.</p> <p><b>AFI 11</b> - The force needs to improve how it communicates its financial plans and the challenges it faces in delivering its services.</p>

The nine AFIs that were given to the force following the 2019 inspection have all been closed as complete bar one, which is dependent on the Vetting report for the force, which is due in draft format week commencing 6<sup>th</sup> March 2023.

The new AFIs surfacing from the report were allocated to owners at SPOLB (*Strategic Planning and Organisational Learning Board*) chaired by Ch Supt Helen Corcoran. This is the forum that will monitor the progress against the completion of the AFIs. Assurance thereafter will be provided to the DCC at his Performance Board.

### **New tiered sign-off process for recommendations and AFIs**

HMICFRS have introduced a new tiered process for signing off recommendations and AFIs:

- **Level 1:** This level will be applied to historic recommendations that HMICFRS feel should be in a state of completion due to the time lapsed since allocated.
- **Level 2:** This level allows for forces (Chief Constables) to sign off recommendations when deemed complete. Chief Constables will be required to write to HMICFRS to inform them of the action taken to complete a recommendation. This level will mainly relate to Recommendations/AFIs from thematic inspections.
- **Level 3:** This level will require a review by the FLL to confirm completion and will mainly relate to force specific inspections, such as Custody, Child Protection and PEEL.
- **Level 4:** This level will be used when HMICFRS feel bespoke inspection work is required to check for compliance. This will mainly be used when forces are at an 'engage' stage, or where there is a heightened area of concern.

HMICFRS have recently updated their portal, allocating the new tiers to any existing AFIs and recommendations. The Audit and Inspection Team are now in the process of preparing a report to allow Chief Officers to formally sign those recommendations off that are complete and fall under Tier Two.

### **Peel Assessment Framework for 2023/24**

The PEEL Assessment Framework (PAF) for 2023/24 has been shared with forces and contains detail regarding the question set for the next round of PEEL inspections. Each question set shares the characteristics of 'Good' that forces should be aiming for and utilising as a benchmark from completing their own self-assessments. This piece of work will be completed by the Audit and Inspection Team alongside service leads in conjunction with the findings from our 2021/22 report.

A copy of this framework is provided for your information:



Annex A - PEEL  
Assessment Framework

January 2024 will see the commencement of the next PEEL inspection period for North Wales Police. This will see HMICFRS attending force meetings for observation, interviewing force specialist leads, leading focus groups with officers and staff and conducting our force documentation review.

### **Serious and Organised Crime (SOC) and Vetting Inspections**

Whilst Serious Organised Crime and Vetting/Counter Corruption have been removed from the core inspection timetable, they still form part of the PEEL process, but include the national and regional position.

North Wales Police were inspected on Serious and Organised Crime week commencing 27<sup>th</sup> February 2023, as part of the North West (NWROCU) region. The hot-debrief outlining the initial findings from this inspection is due to take place on Monday 6<sup>th</sup> March 2023 with the ACC and SOC SMT.

North Wales Polices' Vetting Standards were inspected from 27<sup>th</sup> to 29<sup>th</sup> September 2022. The draft report for pre-publication checks is due week commencing 6<sup>th</sup> March 2023 with publication now due in May 2023.

### **National Thematic Report: An inspection of vetting, misconduct, and misogyny in the police service**

The national thematic report into Police vetting, misconduct, and misogyny in the police service was published on 2<sup>nd</sup> November 2022. The findings of this inspection led to 43 recommendations and 5 AFIs for Chief Constables, the College of Policing, Home Office and the NPCC to consider.

The implementation of these recommendations and AFIs is well underway with mandatory RAG rated reports provided on a monthly basis to the NPCC, which run in line with the deadlines for completion as stipulated by HMICFRS. These monthly progress reports are used by the NPCC to enable them to report to Senior Policing colleagues, the Home Office and Government Ministers on the progress the service is making nationally.

### **Report on an unannounced inspection visit to police custody suites in North Wales Police**

HMICFRS reviewed our progress against the causes of concern/recommendations and AFIs on 15<sup>th</sup> December 2022. Following the meeting 7 of the 18 AFIs have been recognised as complete, with significant progress against all but one of the remaining AFIs and Causes for Concern/recommendations. The Force Liaison Lead is confident that we will shortly be in a position to close a number of the remaining AFIs, especially those reliant upon the completion of the planned renovations of Caernarfon and Llay Custody Suites.

A more detailed breakdown of those which remain open and those which have been closed is detailed below:

Open	Closed
AFI 2 - The force should strengthen its approach to performance management by collecting and monitoring accurate information for its main services, and showing the outcomes achieved for detainees.	AFI 1 - The force should make sure that all custody staff follow the College of Policing's APP (Detention and Custody), as well as its own guidance. This will mean that detainees receive an appropriate and consistent level of treatment and care.
AFI 3 - Officers should always have access to advice from mental health services to help them deal with people with mental ill health appropriately.	AFI 5 - The force should strengthen its approach to meeting detainees' individual and diverse needs by making sure that: <ul style="list-style-type: none"> <li>- there is suitable provision for those with disabilities at all suites;</li> <li>- all detainees are asked to identify their ethnicity;</li> <li>- a female member of staff is readily available when assigned for female detainees, and carries out the role effectively; and</li> <li>- there is an adequate supply of resources for the main religious faiths at all suites, and they are given to those who may want them.</li> </ul>
AFI 4 - The force should improve its approach to detainee dignity and privacy by making sure that: <ul style="list-style-type: none"> <li>- staff communicate with detainees in a way that responds to their individual needs;</li> <li>- detainees can disclose private or sensitive information in a confidential environment, including during the initial risk assessment;</li> <li>- detainees can shower in sufficient privacy at all custody suites; and</li> <li>- detainees' clothes are respectfully removed and always stored properly.</li> </ul>	AFI 6 - Custody officers should consistently provide an easy read version of rights and entitlements to children, vulnerable adults and other detainees who would benefit from them.
AFI 7 - Detainees should be able to make a complaint easily, and before they leave custody.	AFI 9 - The force should adhere to legal requirements for fire regulations, particularly around emergency evacuations. Appropriate fire exit signs should be displayed at St Asaph.
AFI 8 - Notices advising that CCTV is in operation should be prominently displayed throughout the suites.	AFI 10 - Detainees should receive appropriate aftercare when sprayed with incapacitant.
AFI 12 - The force should improve its care for detainees by making sure: <ul style="list-style-type: none"> <li>- detainees are offered the range of available services, including books, distraction materials, food, exercise or a shower; and</li> <li>- a good range of food is always available.</li> </ul>	AFI 11 - Handcuffs should be removed from compliant detainees at the earliest opportunity
AFI 13 - The force should strengthen its approach to AAs by making sure that: <ul style="list-style-type: none"> <li>- all vulnerable adults in custody receive an AA; and</li> <li>- all children and vulnerable adults in custody are supported quickly, and information is collected to assess this.</li> </ul>	AFI 15 - Standards for professional relationships and custody record keeping should be checked by regular clinical audit to assure compliance.

AFI 14 - The force should continue to work with local authorities to improve the provision of alternative accommodation for children who are charged and refused bail.	
AFI 16 - Detainees should be able to access opiate substitution therapy and nicotine replacement products while in custody.	
AFI 17 - The force should make sure that: - custody officers engage with detainees transferred to court, to identify and mitigate risks before their transfer from police custody; and - paper person escort records are fully completed for detainees transferring to hospital, in line with APP guidance.	
Rec 1 - The force should take immediate action to make sure that all custody procedures and practices comply with legislation and guidance.	
Rec 2 - The force should scrutinise the use of force in custody. This should be based on accurate information and robust quality assurance, including viewing CCTV footage of incidents. It should use this to show that when force is used in custody, it is necessary and proportionate.	
Rec 3 - The force should make sure that the information recorded in custody records is accurate and complete. It should clearly reflect the individual action taken and the reasons for any decisions for each detainee. The force should robustly quality assure custody records to identify and act on any concerns.	
Rec 4 - The force should take immediate action to mitigate the risk to detainees by making sure that its risk management practices follow APP guidance and are carried out and recorded to the required standard.	

<b>Recommendations:</b>	None.
<b>Risk register impact:</b>	None.
<b>Assurance implications:</b>	None.
<b>Equality Impact:</b>	None.
<b>Information exempt from disclosure:</b>	None.



Internal Audit

FINAL

## Police and Crime Commissioner North Wales and Chief Constable North Wales Police

Summary Internal Controls Assurance (SICA) Report

**2022/23**

March 2023

# Summary Internal Controls Assurance

## Introduction

1. This summary controls assurance report provides the Joint Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Police and Crime Commissioner North Wales and Chief Constable North Wales Police as at 6<sup>th</sup> March 2023.

## TIAA'S CONFORMANCE TO THE IIA STANDARDS AND CODES OF PRACTICE

2. TIAA Limited commissioned an External Quality Assessment (EQA) of its internal audit services in 2022. An EQA is required every five years, in line with the requirements of the International Professional Practices Framework (IPPF) and the Standards set by the Global Institute of Internal Auditors (IIA). The independent EQA considered our conformance with the IPPF and the Standards and also the Public Sector Internal Audit Standards (PSIAS), which govern internal audit in the public sector.

Our independent EQA was undertaken by a senior partner at Chiene + Tait, a long-established and high-quality accountancy firm headquartered in Edinburgh with offices in Scotland and London. The review assessed TIAA's internal audit methodology and delivery against the Core Principles, the Code of Ethics and the Standards. It took into account our comprehensive framework, our guiding policies, organisational culture, planning and delivery, investment in our people, tools and techniques and our quality assurance framework, including feedback from clients.

We are pleased to confirm that the independent EQA assessor was able to conclude that TIAA 'generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)'. 'Generally conforms' is the highest rating that can be achieved using the IIA's EQA assessment model. It was also noted that there were no areas of non-conformance or partial conformance with the Standards.

TIAA was also complimented on the standard of documentation provided which enabled them to form a positive conclusion.

## Audits completed since the last SICA report to the Joint Audit Committee

3. The table below sets out details of audits finalised since the previous meeting of the Joint Audit Committee.

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Central Area – Command Unit (presented at December JAC)	Reasonable	19 <sup>th</sup> October 2022	11 <sup>th</sup> November 2022	14 <sup>th</sup> November 2022	-	2	2	1
Property Subject to Change (Evidential Property) (presented at December JAC)	Limited	26 <sup>th</sup> October 2022	11 <sup>th</sup> November 2022	15 <sup>th</sup> November 2022	2	6	5	1
Corporate Communications	Substantial	14 <sup>th</sup> November 2022	17 <sup>th</sup> November 2022	17 <sup>th</sup> November 2022	-	-	-	-
Collaborative Review of Capital Programme – Collaborative	Substantial	2 <sup>nd</sup> December 2022	4 <sup>th</sup> January 2023	5 <sup>th</sup> January 2023	-	-	-	-

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Collaborative Assurance Review of Expenses and Additional Payments	Substantial	28 <sup>th</sup> October 2022	12 <sup>th</sup> January 2023	16 <sup>th</sup> January 2023	-	-	2	1
Collaborative Assurance Review of Creditors	Substantial	24 <sup>th</sup> January 2023	24 <sup>th</sup> January 2023	24 <sup>th</sup> January 2023	-	-	-	1
Fleet Management – Repairs	Reasonable	1 <sup>st</sup> February 2023	21 <sup>st</sup> February 2023	22 <sup>nd</sup> February 2023	-	3	3	-
Firearms Licensing	Substantial	27 <sup>th</sup> February 2023	6 <sup>th</sup> March 2023	6 <sup>th</sup> March 2023	-	-	-	-

4. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

#### Progress against the 2022/23 Annual Plan

5. Our progress against the Annual Plan for 2022/23 is set out in Appendix A.

#### Changes to the Annual Plan 2022/23

6. There are no areas where areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2022/23.

#### Progress in actioning priority 1 recommendations

7. We have made two Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. The table below summarises the extent to which confirmation has been received that management actions have been taken that the risk exposure identified has been effectively mitigated. More information is provided in Appendix B.

*Mitigating risk exposures identified by internal audit reviews*

Review	Date	Priority 1		
Property Subject to Change (Evidential Property)	2022/23	1	0	1

## Root Cause Indicators

8. The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment for Police and Crime Commissioner North Wales and Chief Constable North Wales Police. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel. A downward arrow signifies a positive reduction in risk in relation to the specific RCI since the previous quarter.

*RCI – Direction of Travel Assessment*

Root Cause Indicator	Qtr 1 (2022/23)	Qtr 2 (2022/23)	Qtr 3 (2022/23)	Qtr 4 (2022/23)	Medium term Direction of Travel	Audit Observation
<b>Directed</b>						
Governance Framework	-	50% (1)	-	4% (1)	↓	No recommendations in Q3.
Risk Mitigation	-	50% (1)	-	-	↔	
Control Compliance	70% (7)	-	-	96% (24)	↓	Th majority of recommendations continue to relate to compliance.
<b>Delivery</b>						
Performance Monitoring	-	-	-	-	↔	
Sustainability	-	-	-	-	↔	
Resilience	30% (3)	-	-	-	↔	

## Frauds/Irregularities

9. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

## Other Matters

10. We have issued a number of briefing notes and fraud digests, shown in Appendix C, since the previous SICA report. The actions taken by Police and Crime Commissioner North Wales and Chief Constable North Wales Police are summarised below:

*Action taken by Police and Crime Commissioner North Wales and Chief Constable North Wales Police in response to Alerts issued by TIAA*

Briefing Note	Management Response
No CBNs published since the last SICA in November 2022	To be provided by North Wales Police in the Internal Audit update

Fraud Alert	Management Response
Six Festive Frauds	To be provided by North Wales Police in the Internal Audit update
Fake invoices in circulation for payment of office supplies	
Expense Claim Fraud	

Security Alert
Security Camera Risk

## Responsibility/Disclaimer

11. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

-----

## Progress against Annual Plan 2022-23

System	Planned Quarter	Current Status	Comments
<b>Collaborative – Pan Wales</b>			
Creditors	2	Final Report Issued 24 <sup>th</sup> January 2023	Presented to March 2023 JAC
Fleet Management – Strategy	3	Draft report issued 24 <sup>th</sup> November 2022	
Counter-Fraud (Anti-Fraud Procurement)	3	Draft report issued 14 <sup>th</sup> February 2023	Lead Force – South Wales
Payroll	2	Draft report issued 20 <sup>th</sup> February 2023	
Risk Management – Mitigating Risk	1	Final Report Issued 31 <sup>st</sup> August 2022	Presented to October 2022 JAC
Capital Programme	3	Final report issued 5 <sup>th</sup> January 2023	Presented to March 2023 JAC
Expenses and Additional Payments	2	Final report issued 16 <sup>th</sup> January 2023	Presented to March 2023 JAC
Fixed Assets – ICT Assets	2	North Wales Police only, have deferred this to Q1 2023/24	Lead Force – Dyfed-Powys – North Wales Police have deferred their audit until Quarter 1 2023/24 at the request of Management
HR – Use of OLEEO	4	Planned start date 27 <sup>th</sup> March 2023	Lead Force - NWP
<b>North Wales Only</b>			
Health and Safety Management	3	Site work completed	Draft report due shortly
Treasury Management	3	Site work completed	Draft report due shortly
Vetting	2	Draft report issued 13 <sup>th</sup> December 2022	
Cyber Security	3	Draft report issued 12 <sup>th</sup> January 2023	
HR Absence Management	3	Draft report issued 20 <sup>th</sup> January 2023	
Firearms Licensing	3	Draft report issued 6 <sup>th</sup> March 2023	Presented to March 2023 JAC
Estates Management – Delivery	1	Final report Issued 1 <sup>st</sup> July 2022	Presented to July 2022 JAC
Wellbeing and Strategy	1	Final report Issued 27 <sup>th</sup> July 2022	Presented to October 2022 JAC

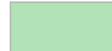
System	Planned Quarter	Current Status	Comments
Contract Management – (Building/ICT/Services Project 2022/23)	1	Final report issued 7 <sup>th</sup> September 2022	Presented to October 2022 JAC
Pensions	2	Final report issued 9 <sup>th</sup> November 2022	Presented to December 2022 JAC
Central Area – Command Unit	1	Final report issued 14 <sup>th</sup> November 2022	Tabled at December 2022 JAC
Property Subject to Charge (Evidential Property)	1	Final report issued 15 <sup>th</sup> November 2022	Presented to December 2022
Corporate Communications	1	Final report issued 17 <sup>th</sup> November 2022	Presented to March 2023 JAC
Fleet Management – Repairs	3	Final report issued 28 <sup>th</sup> February 2023	Presented to March 2023 JAC
ICT Change Management	2	Planned start date 31 <sup>st</sup> March 2023	Moved to Q4
Community Engagement	2	Deferred to 2023/24	Deferred at the request of Management
Liaison with Audit Wales Management	01-Apr	N/A	
Follow-up	4	Site work completed	
Annual Planning	1	Final report issued 30 <sup>th</sup> June 2022	
Annual Report	4		
Audit Management	1-4		

**KEY:**

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued

## Priority 1 Recommendations - Progress update

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<b>Property Subject to Change (Evidential Property)</b>						
<p>Further action be taken to follow up the numerous dated exhibits on the RMS (Resource Management System) Property Management System that are still recorded as 'Out to Officer,' 'Returned to Owner' and exhibits 'Sent for Testing' with the Officers in the Case.</p>	1	<p><i>Without wishing to denigrate the concerns of the auditor I believe that the 70% reduction on the figures recorded last year indicate that this area is very much focussed on and is subject to peaks and troughs of demands from operational policing.</i></p> <p><i>It is acknowledged that an escalation process is required in order to gain the necessary response from officers to Property enquiries this will include creating a new email address for the evidence and property department rather than depending on the RMS tasking alone.</i></p> <p><i>A process map will be created that gives clear instructions on the timeliness of replies and corresponding escalation route. It is evident that the tasking process on RMS does not provide sufficient scrutiny around responses.</i></p>	31/01/2023	Property and Exhibits Manager	<p><b>March 2023</b></p> <p><i>Escalation process is now in place for current exhibits out to officer and the Property and Exhibits Manager is working to get an automated task process in place, however, there is still work to be done on the older exhibits identified in this and the previous review. A revised target date is to be provided</i></p>	

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
Cash to be banked in a reasonable amount of time following any forensic examination in accordance with the Property and Exhibit Management Standard Operating Procedures and in accordance with best practice in other forces.	1	<p><i>It appears there has been a habit of police officers wanting to retain the cash in its physical form for evidential purposes. This is not set out in legislation and appears to have been a historically agreed process. This will change and once forensic opportunities have been explored or completed the cash will be counted using newly acquired BWV and thereafter banked. the BWV evidence will be linked to the appropriate occurrence via the NICE system. This process will be less bureaucratic and more efficient.</i></p> <p><i>All staff will be responsible for counting cash and will be empowered to challenge officers to respond to their requests and understand the consequences of any failure to engage.</i></p> <p><i>I will then audit to ensure that all cash counts are being conducted in a timely manner and escalate matters when required to do so.</i></p>	31/01/2023	Property and Exhibits Manager	<p><b>March 2023</b></p> <p><i>The Property and Exhibits Manager confirmed that all old cash has now been banked and that there is now a 14 day rule in place that all cash is banked unless advised otherwise by FIU</i></p>	

**KEY:**

**Priority Gradings 1**

1	URGENT	Fundamental control issue on which action should be taken immediately.
---	--------	------------------------------------------------------------------------

**Risk Mitigation**

CLEARED	Internal audit work confirms action taken addresses the risk exposure.	ON TARGET	Control issue on which action should be taken at the earliest opportunity.	EXPOSED	Target date not met & risk exposure still extant
---------	------------------------------------------------------------------------	-----------	----------------------------------------------------------------------------	---------	--------------------------------------------------

## Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk, Control and Counter Fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and Fraud Alerts issued in the last three months which may be of relevance to Police and Crime Commissioner North Wales and Chief Constable North Wales Police is given below. Copies of any CBNs are available on request from your local TIAA team.

### Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
No CBNs published since the last SICA in November 2022.			

### Summary of recent Anti-Crime (Fraud Alerts)

Ref	Subject	Status	TIAA Comments
January 2023	Fake invoices in circulation for payment of office supplies		<p><b>Action Required</b></p> <p>TIAA Anti-Crime Specialists have been notified of numerous fraudulent attempts for payment of office supplies/consumables concentrating mainly on printer toners/drums and on occasions medical supplies. In nearly all cases the items have not been ordered and therefore not been received.</p> <p>This alert provides information and advice to staff about fraud and economic crime, and the risks associated with it. If you think that your organisation has been a victim of invoice fraud, contact your Anti-Crime Specialist immediately for advice.</p>
November 2022	Six Festive frauds		<p><b>Action Required</b></p> <p><b>This alert provides information and advice about fraud and economic crime, and the risks associated with it. If you have fallen victim to fraud you should report it to Action Fraud by calling 0300 123 2040, or visit: <a href="https://www.actionfraud.police.uk/reporting-fraudand-cyber-crime">https://www.actionfraud.police.uk/reporting-fraudand-cyber-crime</a></b></p> <p><b>If you have given your bank details and think you may have lost money, contact your bank immediately.</b></p>

Ref	Subject	Status	TIAA Comments
November 2022	Expense Claim Fraud		<p><b>Action Required Not Urgent</b></p> <p>The UK is in a cost of living crisis, and many employees will be experiencing financial difficulties in meeting food, energy and housing costs. The impact of this could be staff making bad decisions out of desperation, and making fraudulent expense and allowance claims.</p> <p>Organisations should review their current expense claim policy and procedures. TIAA Anti-Crime Specialists can provide advice and investigate any incidents of alleged fraud.</p>

### Summary of Security Alerts

Ref	Subject	Status	TIAA Comments
December 2022	Security Camera Risk		<p><b>Action Required</b></p> <p>Security cameras made by Chinese company Hikvision can no longer be installed in or on government buildings after cabinet minister Oliver Dowden declared them “current and future possible security risks.” This came after calls for a nationwide ban by a group of MPs and peers, but doesn’t go far enough, according to the UK’s outgoing biometrics and surveillance cameras commissioner.</p> <p>It is recommended that an urgent action be undertaken that clients review their CCTV provider, the cameras and systems installed and to consider replacing their existing cameras if they are either of the mentioned banned companies or to at least ensure the cameras are not on an accessible (even via hacking) network.</p>

<b>Title:</b>	Internal Control Report
<b>Author:</b>	Anne Matthews, Finance & Budget Officer
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with an overview of Internal Control activity within the Force
<b>The report is provided to JAC for: (Tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<p>Having considered recent feedback, this report focusses on the management response to ongoing Internal Audit issues, focussing on avoiding duplication with the TIAA SICA report where possible. The report includes:</p> <ul style="list-style-type: none"> <li>• The recommendation status from previous TIAA Audits</li> <li>• The recommendations issued with revised due dates for implementation.</li> <li>• The management response regarding Client Briefing Notes, Fraud Alerts, Fraud Articles and Security Alerts issued in the period.</li> <li>• An Update on Limited Assurance audits</li> <li>• Internal Audit Action Updates regarding 08/12/2022 JAC Actions</li> <li>• Summary</li> </ul> <p>Supplementary detail is provided by the Appendices to the report, should it be required.</p> <p>Internal audit is a fixed agenda item discussed in the bi-monthly Joint Governance Board meetings; Internal audit is also discussed during monthly meetings held between the DFR, HoF and FBO.</p>
<b>Recommendations:</b>	None
<b>Risk Register Impact:</b>	TIAA control findings, Client Briefing Notes, Fraud Alerts and Anti-Crime Alerts have been considered for reflection on the Force Risk Register.
<b>Assurance Implications:</b>	This report is directly relevant to Internal Control Activity providing Assurance in North Wales Police.
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	N/A – All content in Open Session

## JOINT AUDIT COMMITTEE

### INTERNAL CONTROL REPORT – 28<sup>TH</sup> March 2023

#### REPORT OF THE NORTH WALES POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE

#### 1. INTRODUCTION

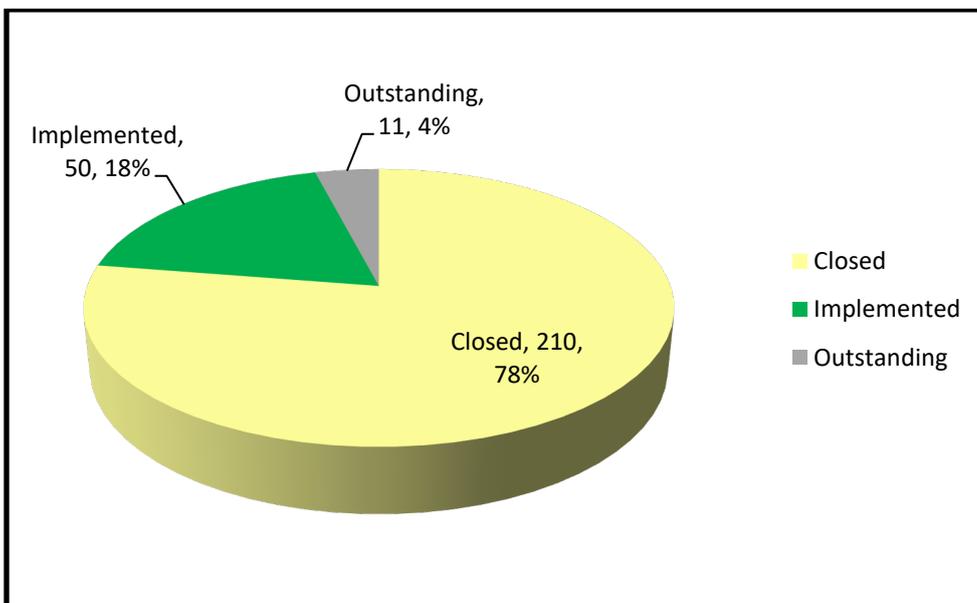
This report focusses on the management response to ongoing Internal Audit issues, focussing on avoiding duplication with the TIAA SICA report where possible.

The report includes:

- The recommendation status from previous TIAA Audits
- The recommendations issued with revised due dates for implementation.
- The management response regarding Client Briefing Notes, Fraud Alerts, Fraud Articles and Security Alerts issued in the period.
- An Update on Limited Assurance audits
- Internal Audit Action Updates regarding 08/12/2022 JAC Actions
- Summary

#### 2. RECOMMENDATION STATUS OF TIAA AUDITS

The position on Internal Audit recommendations as at 28/02/2023 is outlined below:



Movement since the last JAC meeting is as per the below:

- 21 new recommendations received during this period.
- 18 (new) recommendations implemented.
- 3 (existing) recommendations implemented.

Summary of 21 recommendations that have been implemented since September meeting detailed below:

No of Recs				JAC MEETING
Priority	ID	Job	Rec status	28/03/2023
1	267084	22/23 Property Subject to Charge (Evidential Property)	New	1
	267085	22/23 Property Subject to Charge (Evidential Property)	New	1
2	267088	22/23 Property Subject to Charge (Evidential Property)	New	1
	267090	22/23 Property Subject to Charge (Evidential Property)	New	1
	267087	22/23 Property Subject to Charge (Evidential Property)	New	1
	252116	21/22 Western Area - Command Unit	Existing	1
	267089	22/23 Property Subject to Charge (Evidential Property)	New	1
	267091	22/23 Property Subject to Charge (Evidential Property)	New	1
	237156	GDPR Compliance Audit PO No FN27625	Existing	1
	249422	20/21 Collaborative Project Review – Office 365	Existing	1
	268991	22/23 Fleet Management – Repairs	New	1
	3	267095	22/23 Property Subject to Charge (Evidential Property)	New
267096		22/23 Property Subject to Charge (Evidential Property)	New	1
267093		22/23 Property Subject to Charge (Evidential Property)	New	1
267092		22/23 Property Subject to Charge (Evidential Property)	New	1
267094		22/23 Property Subject to Charge (Evidential Property)	New	1
268233		22/23 Expenses and Additional Payments - Collaborative	New	1
268234		22/23 Expenses and Additional Payments - Collaborative	New	1
268993		22/23 Fleet Management – Repairs	New	1
268994		22/23 Fleet Management – Repairs	New	1
268995		22/23 Fleet Management – Repairs	New	1
<b>Grand Total</b>				

The carried forward recommendations continue to be monitored and pursued routinely.

The **accumulative** total of 50 implemented recommendations since November 2022 meeting is outlined below:

Status Summary - Implemented	Category	No
Implemented on or before original due date	Cat 1	34
Implemented on or before 1st revised due date	Cat 2	5
Implemented on or before 2nd revised due date	Cat 3	1
Implemented on or before 3rd revised due date	Cat 4	2
Implemented on or before 4th revised due date	Cat 5	0
Implemented on or before 5th revised due date	Cat 6	0
Implemented after original and/or revised due date	Cat 7	8
		<b>50</b>

Analysis of the 11 outstanding recommendations as at 28/02/2023 is also outlined below:

Status Summary - Outstanding Recommendations	Category	No
No of Recommendations - still on original due date	Cat 1	4
No of Recommendations - 1st revised due date	Cat 2	5
No of Recommendations - 2nd revised due date	Cat 3	0
No of Recommendations - 3rd revised due date	Cat 4	2
No of Recommendations - 4th revised due date	Cat 5	0
No of Recommendations - 5th revised due date	Cat 6	0
No of Recommendations - Overdue	Cat 7	0
		<b>11</b>

An ongoing emphasis on trying to ensure that the initial deadlines set are both appropriate and realistic (to ensure that the revision of dates isn't happening as a matter of course) remains in place.

Analysis of the 11 outstanding recommendations and how they tally to each audit is provided on Appendix 1, page 7.

The latest position and update regarding the 11 outstanding recommendations is included in Appendix 2, pages 8-12. This includes the Responsible Officer for each outstanding action with roles, rather than individual names included in the report.

### **3. RECOMMENDATIONS ISSUED WITH REVISED DUE DATES FOR IMPLEMENTATION**

#### ICT Network Security

Redacted – closed session

#### Counter Fraud – Collaborative

(005) 263859 - Progress has been made with the policy and updating aspects of it. It is a lengthy document that is also impacted by the recent HMIC Recommendations, so we are also checking that any changes also now accommodate for the recommendations.

The work required to do this is significant and has been delayed due to unprecedented and competing demands but please be reassured that progress has been made. Once our elements have been changed, it will require further consultation.

Given the above and allowing time for consultation this date has been revised to 31/08/2023.

#### Data Protection

(006) 266219 - The ISP's have been to WASPI, they have requested some minor adjustments. I am awaiting updates from MARAC admin staff and the documents will be ready to sign thereafter; extend date to 31/03/2023 to allow for receipt of updates from MARAC staff.

### **4. MANAGEMENT RESPONSE REGARDING CLIENT BRIEFING NOTES (CBNs) FRAUD ALERTS, FRAUD ARTICLES AND SECURITY ALERTS INCLUDING THOSE ISSUED IN THE PERIOD**

Current status of CBNs, Fraud Alerts, Fraud Articles and Security Alerts is shown below:

Type	Total No rec'd	No rec'd in current period	Action Required	Open Actions
CBNs - 19016-22026	53	0	0	0
Fraud Alerts - FA024 -FA033	36	3	0	0
Fraud Articles - FA001-FA005	5	0	0	0
Security Alerts - SA001 - SA002	3	1	0	0

CBNs, Fraud Alerts and Security Alerts received during the period were reviewed and progressed by the management team.

There were two Fraud alerts, no CBNs, Fraud articles or security alerts issued in the period 15/11/2022 to 28/02/2023.

#### CBNs

- None

#### Fraud Alerts

- FA034 – Six Festive Frauds - circulated and uploaded to Fy Llais – closed.
- FA035- Expense Claim Fraud – circulated. The recent Expenses and Additional payments audit was graded substantial; SSF Manager published advice on Forcebook. In addition to that when a member of staff completes a new form the form has instructions and a link to the policy for guidance – closed.
- FA036- Fake invoices in circulation for payment of office supplies – circulated; mitigation in place; checks undertaken on listed suppliers resulted in zero matches in efin – closed.

#### Fraud Articles – for information purposes only

- None

#### Security Alerts

- SA003 – Security Camera Risk – circulated to relevant officers only due to sensitive nature of alert; confirmation that mitigation is in place – closed.

### **5. UPDATE ON LIMITED ASSURANCE AUDITS**

#### ICT Fixed Assets

2021/2022 Fixed Assets - ICT – Limited Assurance – 6 important recommendations

As previously reported in June all recommendations were implemented 07/06/2022.

Risk 101 is still on the Force Risk register; the current status of the risk is “Low”.

Fixed Assets was due to be re-audited as a collaborative audit in Q4; however, due to new contracts starting 01/04/2023 NWP have deferred the audit to Q1 (June) 2023; this will be an NWP only audit.

#### Property Subject to Charge (PSTC) – Limited Assurance

The PSTC audit was undertaken in September 2022; an extra day was authorised and used to check seized cash exhibits.

In total there were 13 recommendations issued, as of 28/02/2023 only 1 x important recommendation remains open.

Although this audit is Limited assurance good practice was identified by TIAA.

During the follow up audit the TIAA auditor held a meeting with the Property and Exhibits Manager to ensure that the 12 implemented recommendations had been implemented correctly; the follow up audit is still underway so an update will either be given verbally on 28/03/2023 in the meeting or in the report for the next JAC meeting.

HR – Absence Management – currently in draft format (28/02/2023)

The Absence Management audit was undertaken in January 2023; this report has been circulated and will be returned to TIAA for finalisation on receipt of management responses.

In total 10 recommendations were issued:

9 x important recommendations

1 x routine recommendation

It is expected that the report will be finalised and circulated prior to the JAC meeting, whereupon the Head of POD will be in attendance to discuss this report.

**6. INTERNAL AUDIT ACTION UPDATES STEMMING FROM 08/12/2022 JAC MEETING**

None.

**7. SUMMARY**

This report is provided to the Joint Audit Committee to provide assurance around the internal control activity taking place in the period supplementing the information held within the TIAA SICA report.

**Appendix 1** - Analysis of the 9 outstanding recommendations and how they tally to each audit.

No	ID	Service	Job	Year	Risk Area	Type	Recs Monitored Via	Linked to Risk Register
001 002 003	249424 249425 249426	ICT Audit	20/21 Collaborative Project Review – Office 365	2020	Directed Risk	Existing	Quarterly Joint Governance Board; Digital Transformation Board	46 Digital Transformation Programme
004	259474	ICT Audit	21/22 ICT – Network Security	2021	Directed Risk	New	Quarterly Joint Governance Board	10 Network Security Risk from External Evidence 11 Encryption of Disks 46 Digital Transformation 60 Cyber Security Threats 72 Data Protection
005	263859	Internal Audit	21/22 Counter Fraud (Anti-Fraud Procurement) - Collaborative	2021	Directed Risk	New	Quarterly Joint Governance Board	-
006	266219	ICT Audit	21/22 – Data Protection	2021	Directed Risk	New	Quarterly Joint Governance Board; NWP PVPU	-
007 008	267051 267052	Internal Audit	22/23 Central Area-Command Unit	2022	Directed Risk	New	Quarterly Joint Governance Board; SMT	-
009	237086	Internal Audit	22/23 Property Subject to Charge (Evidential Property)	2022	Directed Risk	New	Quarterly Joint Governance Board; SMT	Risk Assurance Mapping (Risk 75 closed)
010 011	268990 268992	Internal Audit	22/23 Fleet Management - Repairs	2022	Directed Risk	New	Quarterly Joint Governance Board; Quarterly Vehicle user group which reports into the quarterly Strategic Finance Resources Board meetings.	Risk 94 BMW Engines N57 and B57 issues

**Appendix 2 – Latest Management Response relating to Outstanding Recommendations**

Overview

Priority Level	No	Responsible Officer	Job	Original Due Date	Revised Due Date	No of Recs
2	001	Superintendent, SMT, Corporate Services	20/21 Collaborative Project Review – Office 365	31/03/2022	30/09/2023	1
	002	Superintendent, SMT, Corporate Services	20/21 Collaborative Project Review – Office 365	30/09/2023		1
	004	Head of ICT Services	21/22 ICT – Network Security	30/06/2022	31/03/2023	1
	005	Detective Supt, PSD	21/22 Counter Fraud (Anti-Fraud Procurement) - Collaborative	31/12/2022	31/08/2023	1
	007	Corporate Senior HR Advisor	22/23 Central Area – Command Unit	28/02/2023	31/07/2023	1
	008	Corporate Senior HR Advisor	22/23 Central Area – Command Unit	28/02/2023	31/07/2023	1
	009	Property and Exhibits Manager	22/23 Property Subject to Charge (Evidential Property)	28/02/2023		1
	010	Fleet Manager	22/23 Fleet Management – Repairs	24/03/2023		1
	011	Fleet Operations Manager	22/23 Fleet Management – Repairs	24/03/2023		1
3	003	Superintendent, SMT, Corporate Services	20/21 Collaborative Project Review – Office 365	30/09/2022	30/09/2023	1
	006	PVPU MARAC Detective Inspector	21/22 – Data Protection	31/12/2022	31/03/2023	1
<b>Grand Total</b>						<b>11</b>

Latest updates

No	ID	Job	Year	Risk Area	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Category	Latest Response
001	249424	20/21 Collaborative Project Review – Office 365	2020	Directed Risk	An appropriate information governance framework be implemented to manage the use of power apps.	2	NWP: A Systems Operating procedure (SysOps) will be developed for MS365 applications including PowerApps. Business rules are currently being established for each application. A DPIA covering the NEP solution has been produced. The need for a specific DPIA for PowerApps will be reviewed during the production of the SysOps.	Superintendent, SMT, Corporate Services	31/03/2022	30/09/2023	4	<p>07/06/2022 - Update received from Project Manager - Recruitment of a sys admin is still a challenge. Priority is being given to update existing policy/ sys ops for some core aspects. NWP have recruited a Head of Applications role. The successful candidate is due to start in the coming months and will work with the PMO to develop a process of assessment, assurance, suitability for any apps (including Power apps) that users find or wish to be developed. Suggest revised due date of September 2022 due to recruitment of both roles.</p> <p>27/07/2022 - Update received from Project Manager - The recruitment of a the tech sys admin role is still a challenge and the post remains vacant. Plans are being discussed to absorb this work within the PMO post completion of NEP deployment.</p> <p>15/09/2022 -- Update received from Project Manager - Unable to recruit into the sys admin role. Phase 2 plans for NEP Project include absorbing this work into the PMO. Revised due date of Sept 2023.</p> <p>11/11/2022 - Update received from Project Manager - No further update. This work will commence once the mop up phase of the NEP/M365 deployment is complete -Expected Dec 2022.</p> <p><b>15/02/2023 - Update received from Project Manager - Work has now commenced with relevant stakeholders. Currently creating an overall SyOps and an Acceptable Usage Policy for Office 365 as a whole. Separate SyOps will also be created for specific systems within the 365 suite e.g. Teams.</b></p>
002	249425	20/21 Collaborative Project Review – Office 365	2020	Directed Risk	A benefits realisation review be undertaken 12 to 18 months after the completion of the NEP Office 365 project.	2	NWP: To be conducted by the PMO	Superintendent, SMT, Corporate Services	30/09/2023		1	<p>07/06/2022 - Update received from Project Manager - Remains on track for September 2023.</p> <p>27/07/2022 - No further update since 07/06/2022 - Project Manager</p> <p>15/09/2022 - Update from Project Manager - Remains on track. No further update.</p> <p>11/11/2022 - Update from Project Manager - Remains on track. No further update.</p> <p><b>15/02/2023 - Update from Project Manager - Remains on track for September 2023.</b></p>
003	249426	20/21 Collaborative Project Review – Office 365	2020	Directed Risk	The information asset registers at all three Forces be reviewed and updated subsequent to the implementation of Office 365 and SharePoint.	3	NWP: Information Asset Ownership is under review as part of our Business Rules work and production of SysOps to be completed prior to commencing full roll out April 2021.The roll out approach will be incremental with services taking ownership of their data held on Microsoft applications as they are on boarded.	Superintendent, SMT, Corporate Services	30/09/2022	30/09/2023	2	<p>07/06/2022 - Update received from Project Manager - Backfill for this role is still a challenge and therefore the deployment of NEP has been prioritised at this time.</p> <p>27/07/2022 - Update received from Project Manager - The recruitment of the tech sys admin role is still a challenge and the post remains vacant. Plans are being discussed to absorb this work within the PMO post completion of NEP deployment.</p> <p>15/09/2022 - Update received from Project Manager - Unable to recruit into the sys admin role. Phase 2 plans for NEP Project include absorbing this work into the PMO. Revised due date of Sept 2023.</p> <p>11/11/2022 - Update received from Project Manager - No further update. This work will commence once the mop up phase of the NEP/M365 deployment is complete -Expected Dec 2022.</p> <p><b>15/02/2023 - Update received from Project Manager -Work has now commences with relevant stakeholders. Currently creating an overall SyOps and an Acceptable Usage Policy for Office 365 as a whole. Separate SyOps will also be created for specific systems within the 365 suite e.g., Teams.</b></p>

No	ID	Job	Year	Risk Area	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Category	Latest Response
----	----	-----	------	-----------	----------------	----------	---------------------	---------------------	----------	------------------	----------	-----------------

004	259474	Redacted										
005	263859	21/22 Counter Fraud (Anti-Fraud Procurement) - Collaborative	2021	Directed Risk	The Counter Corruption Policy be reviewed and updated as planned.	2	PSD are fully aware of the need to review the CCU and this is currently underway, however the national picture is evolving at pace and a number of areas of the policy will be affected.	Detective Supt, PSD	31/12/2022	31/08/2023	2	<p>28/10/2022 - update received from Det/Supt PSD - This matter still remains outstanding, but progress is being made in that we are allocating areas of the policy to specific owners within PSD so we can make progress on any changes required.</p> <p><b>01/02/2023 - Update received from Det/Supt PSD - Progress has been made with the policy and updating aspects of it. It is a lengthy document that is also impacted by the recent HMIC Recommendations, so we also checking that any changes also now accommodate for the recommendations.</b></p> <p><b>The work required to do this is significant and has been delayed due to unprecedented and competing demands but please be reassured that progress has been made. Once our elements have been changed, it will require further consultation.</b></p> <p><b>Given the above and allowing time for consultation this date has been revised to 31/08/2023.</b></p>
006	266219	21/22 – Data Protection	2021	Directed Risk	The MARAC WASPI agreement be signed.	3	This agreement is one of 6 MARAC agreements which are currently being reviewed; the circulation of documents for this review is being undertaken by another Agency. This process may also necessitate a further quality assurance by WASPI/NWIGG. The aim is to conclude the review by Dec 2022 and if necessary, submit for a Q&A afterwards. Once this is complete, signing is anticipated. This is being monitored by NWP PVPU.	PVPU MARAC Detective Inspector	31/12/2022	31/03/2023	2	<p>31/01/2023 - Update received from D/I PVPU - The ISP's have been to WASPI, they have requested some minor adjustments. I am awaiting updates from MARAC admin staff and the documents will be ready to sign thereafter.</p> <p><b>08/02/2023 - Update received from D/I PVPU - extend date to 31/03/2023 to allow for receipt of updates from MARAC staff.</b></p>

No	ID	Job	Year	Risk Area	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Category	Latest Response
007	267051	22/23 Central Area – Command Unit	2022	Directed Risk	The Flexible Working Policy and Procedure be reviewed and approved accordingly.	2	The Flexible Working Policy was reviewed and rewritten last year. It went out for Force wide consultation and feedback from LPS was that they were following a different process to that proposed. We have been waiting for this situation to be confirmed but now that the Corporate Senior HR Advisor is in post, she will be picking this up with them. She will be discussing this in the SMT on 21st November. We should have an answer after that and can then continue with getting the revised policy ratified.	Corporate Senior HR Advisor	28/02/2023	31/07/2023	2	<p>31/01/2023 - Update received from Corporate HR Lead - The outstanding clarification from LPS has now been received. It was discussed and agreed in Assurance Board today that due to the length of time that has now elapsed since the formal consultation was originally carried out that it all needs to go out for consultation again. I have an action to send the documentation to the Governance and Policy Lead in the Governance &amp; Policy Unit, who will then send it out Forcewide for consultation again.</p> <p>Re-contacted for revised due date as the consultation process can be lengthy.</p> <p><b>03/02/2023 - Update received from Corporate HR Lead -Extend due date 31/07/2023</b></p>
008	267052	22/23 Central Area – Command Unit	2022	Directed Risk	A process be established evidencing the periodic review of flexible working arrangements, in conjunction with the review of the Flexible Policy and Procedure.	2	The Flexible Working Policy will also clarify the process to be followed for review. Currently this is not being done in a consistent manner across the Force but the revised policy should address this.	Corporate Senior HR Advisor	28/02/2023	31/07/2023	2	<p>31/01/2023 - Update received from Corporate HR Lead - The outstanding clarification from LPS has now been received. It was discussed and agreed in Assurance Board today that due to the length of time that has now elapsed since the formal consultation was originally carried out that it all needs to go out for consultation again. I have an action to send the documentation to the Governance and Policy Lead in the Governance &amp; Policy Unit, who will then send it out Forcewide for consultation again. Re-contacted for revised due date as the consultation process can be lengthy.03/02/2023 - Update received from Corporate HR Lead - Extend due date to 31/07/2023</p>

009	267086	22/23 Property Subject to Charge (Evidential Property)	2022	Directed Risk	Further action be taken on exhibits recorded as 'Pending Disposal' at Llay and Colwyn Bay to actually dispose of exhibits where applicable and reduce the volume of items held.	2	New process maps will be created to show the tasks required to be undertaken by the team in relation to disposal of exhibits and escalation processes if this is not actioned in a timely manner. The previous management regime relied wholly on the lengthier MOPI retention periods rather than seeking disposal under the shorter CPIA guidance. Where appropriate the CPIA will be the primary route. I will now run a report monthly for each area and chase for timely disposals, requiring regular updates from staff to ensure that they are being actioned regularly.	Property and Exhibits Manager	28/02/2023		1	03/02/2023 - Update received from Seized property Manager - this recommendation is in progress.
-----	--------	-----------------------------------------------------------------------	------	------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------	------------	--	---	-------------------------------------------------------------------------------------------------

No	ID	Job	Year	Risk Area	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Category	Latest Response
010	268990	22/23 Fleet Management – Repairs	2022	Directed Risk	Delays in the updating the Tranman system following receipt of the necessary paperwork be addressed with the back office staff to ensure the accuracy and integrity of the data with the Tranman system.	2	Delays to job processing have been heightened due to the relocation of workshops and delays in the introduction of a fleet management software system. The implementation of the new fleet management software system is expected in December 2023; this will streamline job processing and capture milestones (parts and labour) in real time negating the need to manually input data. In the interim, the following actions will take place: Document a temporary job processing flow chart, to include expected timescales for each stage. Ensure Operations and Stores team are actively administering each job and pursuing and challenging delays or incomplete paperwork. Publish regular job processing data that will provide management information that will capture delays and highlight jobs that require action before completion	Fleet Manager	24/03/2023		1	New
011	268992	22/23 Fleet Management – Repairs	2022	Directed Risk	All current and future open jobs on the Tranman system be reviewed and completed where necessary and appropriately closed to ensure the integrity of the data within the system and to ensure the data is accurate and up to date.	2	As above. This work is mainly complete, with a deadline of 24/3/23 for all historic jobs to be actioned.	Fleet Operations Manager	24/03/2023		1	New

### Appendix 3 – Recommendation Categorisation

“Priority” refers to the implementation timeline to adopt:

Description	Priority
URGENT - Fundamental Control issue on which action should be taken immediately.	1
IMPORTANT - Control issue on which action should be taken at the earliest opportunity.	2
ROUTINE - Control issue on which action should be taken.	3

“Category” refers to date revisions as per the below:

Description	Category
Recommendations - still on original due date	1
Recommendations - 1st revised due date	2
Recommendations - 2nd revised due date	3
Recommendations - 3rd revised due date	4
Recommendations - 4th revised due date	5
Recommendations - 5th revised due date	6
Recommendations - Overdue	7

**JOINT AUDIT COMMITTEE**

<b>Title:</b>	Risk Management Report (Open Session)
<b>Author:</b>	Neil T. Ackers, Risk and Business Continuity Lead
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with an update on the organisational risk process and an oversight of the current risks recorded by North Wales Police and the North Wales Police and Crime Commissioner.
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>○ All risks have been reviewed monthly by the Risk and Business Continuity Lead ensuring they are updated and remain on target. A dated entry is made alongside the review within the embedded risk record ‘supporting information document’.</li> <li>○ Reminders have been sent to Risk Leads to review and update their ongoing risks and actions either on a monthly or quarterly basis (dependent on the risk type).</li> <li>○ Since the previous update all risks on the Force Risk Register have been reviewed in the following meetings with no issues or exceptions having been raised.             <ul style="list-style-type: none"> <li>● Senior Management Team Meetings</li> <li>● Senior Leadership Team Meeting</li> <li>● Strategic Management Board</li> <li>● Strategic Executive Board</li> <li>● Strategic Operational Board</li> <li>● Strategic Change and Collaboration Board</li> <li>● Assurance Board</li> </ul> </li> <li>○ A summary of live NWP and OPCC risks recorded on the Force Risk Register 9<sup>th</sup> November 2022 – 6<sup>th</sup> March 2023.</li> <li>○ <b>New risks recorded on Force Risk Register since last report.</b> <ul style="list-style-type: none"> <li>● Risk 105 REDACTED CLOSED SESSION</li> <li>● Risk 106 REDACTED CLOSED SESSION</li> <li>● Risk 107 Roads Policing Understaffing</li> <li>● Risk 108 REDACTED CLOSED SESSION</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ <b>Risks removed from Force Risk Register since last report.</b> <ul style="list-style-type: none"> <li>● Risk 011 REDACTED CLOSED SESSION</li> <li>● Risk 067 REDACTED CLOSED SESSION</li> <li>● Risk 079 Mandatory Refresher Training</li> <li>● Risk 092 REDACTED CLOSED SESSION</li> <li>● Risk 107 Roads Policing Understaffing</li> </ul> </li> <li>○ <b>Risk Changes on Force Risk Register since last report.</b> <ul style="list-style-type: none"> <li>● Risk 073 REDACTED CLOSED SESSION</li> <li>● Risk 085 REDACTED CLOSED SESSION</li> </ul> </li> <li>○ <b>Force Risk Register Actions.</b> <ul style="list-style-type: none"> <li>● Risk Actions RAG Ratings</li> </ul> </li> <li>○ <b>Force COVID19 Risk Register.</b></li> <li>○ <b>Developments regarding risk management.</b> <ul style="list-style-type: none"> <li>● Independent review by Gallagher Bassett</li> </ul> </li> <li>○ <b>Assurance Mapping.</b></li> <li>○ <b>A summary table of the Force Risk Register as at 06/03/23.</b></li> </ul>
<b>Recommendations:</b>	None
<b>Risk Register Impact:</b>	This report is based on details recorded on both the Force Risk Register and Covid19 Risk Register
<b>Assurance Implications:</b>	This report is directly relevant to the development of assurance in North Wales Police
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	Yes (highlighted in yellow)

## 1. INTRODUCTION

The purpose of this report is to provide an update on the organisational risk management process and allow oversight of the status of North Wales Police and Crime Commissioner and North Wales Police risks and is based on information received and recorded by 6<sup>th</sup> March 2023 on the Force Risk Register version 6.130.

Project risks are managed separately within the Portfolio Management Office; however, those that require Force attention are escalated to the Force Risk Register through the agreed process documented in the Risk and Assurance Mapping Framework.

## 2. FORCE RISK REGISTER SUMMARY

We continue to embed our approach to Risk Management across the organisation through regular interaction with the Risk Leads/Owners either monthly or quarterly (dependent on the risk type). Reminders have been sent to relevant individuals to review and update ongoing actions to ensure the risk remains on target. In addition to this we continue to conduct a monthly review of all risks and raised any concerns or issues with the Risk Leads and Senior Management Team's (SMT's) via their risk highlight reports. Risks are also reported to and reviewed at the Senior Leadership Team (SLT) Meeting, Senior Management Team (SMT) Meetings, Strategic Management Board (SMB), Strategic Executive Board (SEB), Strategic Operational Board (SOB), Strategic Change and Collaboration Board (SCCB), with no issues or exceptions having been raised. A summary of all risks recorded on the Force Risk Register are also reported to the Assurance Board.

**Table 1: - NWP risks on the Force Risk Register 9<sup>th</sup> November 2022 - 6<sup>th</sup> March 2023**

Risk Levels before Controls	Previous NWP Risk Total	Risks removed in this period	New Risks in this period	NWP Risks currently recorded on Force Risk Register
Critical	8	1	2	9
High	20	4	2	18
Medium	1	0	0	1
<b>Total</b>	<b>29</b>	<b>5</b>	<b>4</b>	<b>28</b>

**Table 2: - OPCC risks on the Force Risk Register 9<sup>th</sup> November 2022 – 6<sup>th</sup> March 2023**

Risk Levels Before Controls	Previous OPCC Risk Total	Risks removed in this period	New Risks in this period	OPCC Risks currently recorded on Force Risk Register
Critical	1	0	0	1
High	1	0	0	1
Medium	0	0	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>

## 3. NEW RISKS RECORDED ON FORCE RISK REGISTER SINCE LAST REPORT

There have been 4 new risks added to the Force Risk Register since the last JAC risk report.

**Risk 105 REDACTED FOR CLOSED SESSION**

**Risk 106 REDACTED FOR CLOSED SESSION**

### **Risk 107 - Roads Policing Understaffing**

There is a Risk to the service delivery of Roads Policing Unit's (RPU) Core Responsibilities, caused by insufficient staff numbers within the department, which may result in an inability to deliver an acceptable response to fatal and serious road traffic collisions, and preventative work to support national road safety and the OPCC's objective of improving road safety.

This risk was initially scored on 7<sup>th</sup> September 2022, but delays resulted in the risk being created and recorded on the Force Risk Register on 7<sup>th</sup> December 2022 at the request of the Roads Policing Inspectors. Prior to control measures this was determined as a HIGH risk. The Present

Risk Level on 7<sup>th</sup> September 2022 was determined as HIGH. Actions and a Risk Lead were awaited from the Operational Support Services (OSS) Senior Management Team (SMT).

**Risk 108 REDACTED FOR CLOSED SESSION**

**4. RISKS REMOVED FROM FORCE RISK REGISTER SINCE LAST REPORT**

There have been 5 risks Closed and removed from the Force Risk Register since the last report.

**Risk 011 REDACTED CLOSED SESSION**

**Risk 067 REDACTED CLOSED SESSION**

**Risk 079 Mandatory Refresher Training**

This risk was initially raised by the Covid19 Tactical Recovery Group on 18<sup>th</sup> June 2020 and recorded on the Covid19 Risk Register under URN CV11/20. The risk was transferred over to the Force Risk Register on 2<sup>nd</sup> September 2021 to manage the remaining non Covid19 related actions.

Prior to control measures this was determined as a HIGH risk. The Present Risk Level was determined as MEDIUM and was lowered to LOW on 30 December 2022. The Target Level was LOW.

This DYNAMIC risk related to mandatory refresher training not being delivered to officers/staff **caused by** a lack of attendance impacting on the numbers trained, **which may have resulted in** officers/staff being unable to reaccredit putting them and the public at risk as well as giving rise to complaints and legal action.

The Risk was authorised for closure and removal from the Force Risk Register by Finance and Resources SMT on 16/01/23 due to:

- Risk has been Treated.
- All Actions completed.
- Target Risk Level of LOW achieved.
- Risk has been subject of Assurance Mapping (URN 018 refers)

The Risk Lead was Head of Training.

**Risk 092 REDACTED CLOSED SESSION**

**Risk 107 Roads Policing Understaffing**

This risk was initially raised and scored on 7<sup>th</sup> September 2022, but delays resulted in the risk being created and recorded on the Force Risk Register on 7<sup>th</sup> December 2022 at the request of the Roads Policing Inspectors.

Prior to control measures this was determined as a HIGH risk. The Present Risk Level was determined as HIGH. The Target Level was LOW.

This DYNAMIC risk related to the service delivery of Roads Policing Unit (RPU) core responsibilities **caused by** insufficient staff numbers within the department **which may have resulted in** an inability to deliver an acceptable response to fatal and serious road traffic

collisions, and preventative work to support national road safety and the OPCC’s objective of improving road safety.

The risk was reviewed by the Operational Support Services SMT, and a decision was made that mitigations were in place for the risk to be managed by Operational Support Services SMT and not be recorded on the Force Risk Register.

The additional mitigation was moving Police Intercept Team resources over to Roads Policing Unit to assist with DSL/staffing levels which had improved.

Risk was closed and removed from the Force Risk Register 9<sup>th</sup> January 2023.

**5. RISK CHANGES ON FORCE RISK REGISTER SINCE LAST REPORT**

There have been 2 Live risks that have changed their Present Risk Levels since the last report.

- Risk 073 REDACTED CLOSED SESSION
- Risk 085 REDACTED CLOSED SESSION

**6. FORCE RISK REGISTER ACTIONS**

**Risk Actions RAG Ratings**

Actions Not on Track	Actions On Track but with Issues	Actions On Track	Completed Actions
0	0	58	67

Risks highlighted with ‘*Actions On Track but with issues*’ relate to Actions that are currently marked as pending or stalled and awaiting decisions on progression.

**7. FORCE COVID19 RISK REGISTER**

There are currently no risks recorded on the Force Covid19 Risk Register.

**8. DEVELOPMENTS REGARDING RISK MANAGEMENT**

**Independent Review of Risk Management Processes**

The Senior Leadership Team have fully supported a proposal by the Head of Business Intelligence and Risk and Business Continuity Lead for the Force Insurers, Gallagher Bassett, to undertake an independent review of our Risk Management Processes.

A Terms of Reference has been provided and shared with JAC Members. In summary, the methodology incorporates five key stages:

Stage 1 – Review of Corporate Risk Management Strategy A desk-top review of key documents inclusive of risk management strategies, frameworks, structures, procedures, and minutes of key meetings in which risk management (inclusive of appetite and tolerance) is discussed. A discreet stand-alone report can be provided for the findings of this stage if North Wales Police decide not to progress with the subsequent stages at this time.

Stage 2 – Stakeholder interviews A series of one-hour or thirty-minute interviews / discussions with key stakeholders to determine how the risk management strategy is implemented, and its effectiveness. Discussions will also consider how the organisation’s risk appetite and tolerance

is set, communicated, and used to influence risk-taking behaviours and decisions. Interviewees should be selected from all levels of the management hierarchy (horizontal and vertical) but should ideally include representatives from chief officers, audit committee members and contributors to risk registers. The reviews commissioning managers should select the cross-sectional group of appropriate participants. We strongly recommend that there is a minimum of ten and a maximum of fifteen stakeholders participating in the interviews. Interviews can be conducted virtually (via Microsoft Teams) or in person. A pre-determined question set will be applied at each interview for consistency, with the results recorded for later correlation.

Stage 3 – Online risk management questionnaire. The option to provide stakeholders with an opportunity to complete an online questionnaire within a specified timeframe, utilizing the pre-determined question-set directly related to the stakeholder interview subject areas. Please note: RMP will supply the question-set, but administration of the online risk management questionnaire should be managed and co-ordinated by North Wales Police with only anonymised results passed on to the RMP consultant for inclusion in the final report.

Stage 4 – Report production. The report will bring together the results of stages 1 through to stage 3 (where applicable) and seek to portray a balanced view of the effectiveness and maturity of the organisations current risk management practices (inclusive of risk appetite and tolerance), drawing comparisons against best practice standards and offering commentary on strengths and potential opportunities for improvement. A draft copy of the report will be provided to the commissioning manager(s) from North Wales Police for a technical check prior to the final version being issued.

Stage 5 – Presentation of results. As required, the results of the risk management review can be formatted into a brief presentation and delivered to relevant stakeholders with scope for discussion and clarification (where necessary).

The timescale for this review is currently being planned with Gallagher Bassett and will consider other external Force reviews.

JAC Members will be kept informed on progress.

## 9. **ASSURANCE MAPPING**

In January 2020 the Senior Leadership Team agreed the Force should adopt assurance mapping as a process to complement the existing risk management processes. Since that date, updates have been provided to strategic boards including SLT and JAC, and last year, the Head of Business Intelligence, Policy and Governance Lead, and Risk and Business Continuity Lead had a meeting with the JAC Risk Lead to run through the process in detail. A further update was provided to all JAC Members on 22<sup>nd</sup> November 2022.

### **What is assurance mapping and what is the benefit?**

An assurance map is a format used to record key sources of assurance which evidences that controls are in place to mitigate a risk. Assurance maps may also highlight gaps where the controls are failing which may need to be addressed.

Assurance maps will provide Chief Officers and Senior Leaders with confidence that they ‘really know what they think they know’ and that mitigations remain in place to manage a risk once it’s been Closed and removed from the Force Risk Register and becomes business as usual.

- Provides a clear and complete understanding of the most significant risks faced by the Force in the pursuit of meeting the Forces' objective of 'Making North Wales the Safest Place in the UK'.
- Puts more rigor around risk management to ensure sufficient controls are put in place to mitigate those critical risks.
- Provides assurance that risks continue to be mitigated once they are closed and removed from the Force Risk Register and become business as usual.
- Identifies areas where assurance activities are not present or are insufficient.
- Identifies areas where assurance is duplicated or is disproportionate to the risk.
- Identifies areas where existing controls are failing and consequently the risks are more likely to occur.

### **ASSURANCE GRADINGS**

Assurance Grading	Framework of Governance and Risk Control Measures	Assessment Outcome
<b>Substantial</b>	<b>Substantial Assurance</b> that control measures are in place. There are NO actions recorded on the Action Monitoring Log.	Unlikely that further Assurance activity is required in principle.
<b>Reasonable</b>	<b>Reasonable Assurance</b> that control measures are in place, however there are actions recorded on the Action Monitoring Log that require attention.	Further Assurance activity will be necessary to mitigate the outstanding actions recorded on the Risk Action Monitoring Log.
<b>No Assurance</b>	<b>No Assurance</b> There are no control measures in place	No Assurance activity in place – Urgent Attention is required

A member of the Assurance Team will grade the Assurance Map based on the assessment in the table on display. This information will be reported to Chief Officers and Service Leads.

Assurance mapping has been recognised as complementary to our current risk management processes and a valuable exercise which provides the Force an improved ability to understand and confirm that there are assurances in place over key controls identified to manage risks, it also highlights where control gaps exist and therefore allows NWP to address those gaps.

TIAA have also viewed our Assurance Mapping with no concerns raised. It should also be noted that no other Welsh Force undertakes Assurance Mapping.

The following represents a small snapshot of risks recorded on the Force Risk Register that have undergone Assurance Mapping. Some of this Risks were initially graded 'REASONABLE ASSURANCE' as it was felt there were gaps. Following challenge and additional scrutiny, the Risk Lead was able to provide sufficient evidence that gaps had been filled and the Grading was amended to 'SUBSTANTIAL ASSURANCE'.

ASSURANCE MAPPING - PRIORITY GRADINGS		
1	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately
2	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity
3	<b>ROUTINE</b>	Control issue on which action should be taken

URN's		RISK	Grading	Direction of Travel	OUTSTANDING ACTIONS			TAGS					
Mapping URN	Risk Register				Urgent	Important	Routine	Reputation	H&S	Finance	IT	Information Security	Training
					001	65	Social Media	Substantial				X	
002	47	Ability to integrate uplift officers	Substantial										
003	64	Overdue medicals	Substantial										
004	53	Vicarious trauma	Substantial										
005	63	Pandemic	Substantial										
006	83	Civil Claims and Employment Tribunals	Substantial				X		X				
007	03	RMS Legacy Database	Substantial				X			X			
008	10	Network Security Risk from External Evidence	Substantial				X			X			
009	11	Encryption of Discs	Substantial				X		X	X			
010	13	Inadequate Financial Resources to deliver service plans	Substantial				X		X				
011	14	Risk of loss of money invested on the money market	Substantial				X		X				

The Risk and Business Continuity Lead continues to work with Risk Leads on Critical risks that have been Closed and removed from the Force Risk Register and risks that have been on the Force Risk Register for over 12 months.

## 10. SUMMARY OF FORCE RISK REGISTER AS AT 06/03/2023

URN	Risk Title	Risk Levels			Risk Type	Date Risk Raised	Last Review Date	Risk Actions Progress				
		Before Controls	Present	Target				Outstanding Actions	Completed Actions	On Track	On Track with Issues	Not on Track
3	RMS Legacy Database	High	Medium	Low	Static	10/08/16	23/11/22	1	1	1		
10	REDACTED CLOSED SESSION	High	Medium	Low	Static	11/03/16	02/03/23	1	7	1		
46	REDACTED CLOSED SESSION	High	Medium	Medium	Static	03/02/20	28/02/23	1	1	1		
54	REDACTED CLOSED SESSION	High	Medium	Low	Dynamic	29/04/20	10/02/23	1	1	1		
57	ESN proves to be an unviable or sub optimal solution	High	Medium	Low	Static	13/05/20	28/02/23	1	1	1		
60	REDACTED CLOSED SESSION	High	Medium	Medium	Static	19/05/20	19/01/23	1	3	1		
71	Pensions	High	High	Medium	Static	20/01/21	16/02/23	1	3	1		
73	REDACTED CLOSED SESSION	Critical	Low	Low	Dynamic	01/03/21	10/02/23	1	0	1		
74	REDACTED CLOSED SESSION	Critical	Medium	Medium	Dynamic	04/06/21	18/01/23	1	14	1		
78	Unsupported Windows 10 Operating System	High	Medium	Medium	Dynamic	08/04/21	22/02/22	1	1	1		
81	Inability attracting Staff to apply for key roles in NWP	Critical	High	Medium	Dynamic	08/09/21	07/03/23	3	2	3		
82	ICT Supply Chain Issues	High	High	Medium	Static	10/09/21	01/02/23	2	2	2		
85	REDACTED CLOSED SESSION	Critical	Medium	Medium	Dynamic	29/11/21	28/02/23	1	0	1		
86	Disclosure Unit Backlogs	High	Medium	Medium	Static	09/11/21	03/02/23	1	2	1		
88	REDACTED CLOSED SESSION	High	High	Low	Dynamic	01/02/22	15/02/23	1	3	1		
89	Adequacy of financial resources (OPCC)	Critical	High	Medium	Static	09/02/22	08/02/23	3	0	3		
91	Loss of money invested on the money market	Critical	Low	Low	Static	16/02/22	16/02/23	2	1	2		
93	Inadequate financial resources to deliver service plans for period 01/04/2022 to 31/3/2023	Critical	Medium	Medium	Static	15/03/22	16/02/23	0	2			
94	REDACTED CLOSED SESSION	High	Medium	Negligible	Dynamic	22/02/22	18/01/23	4	4	4		
95	REDACTED CLOSED SESSION	High	High	Medium	Static	05/04/22	02/02/23	3	1	3		
96	Excess Demand within the Analysts Unit	High	High	Medium	Static	12/04/22	30/01/23	3	5	3		
97	Betsi Cadwaladr UHB Medical Requests	High	High	Medium	Dynamic	14/04/22	08/02/23	2	1	2		
98	REDACTED CLOSED SESSION	Critical	Critical	Medium	Dynamic	19/05/22	18/01/23	2	5	2		
99	REDACTED CLOSED SESSION	High	High	Low	Dynamic	13/06/22	19/01/23	2	5	2		
101	REDACTED CLOSED SESSION	Medium	Low	Negligible	Static	07/06/22	13/02/23	2	0	2		
103	Ability to Uplift Officers	High	High	Low	Dynamic	15/09/22	11/01/23	3	1	3		
104	Welfare Unit Demand	High	High	Low	Dynamic	03/08/22	16/01/23	2	0	2		
105	REDACTED CLOSED SESSION	High	High	Medium	Static	03/01/23	03/01/23	4	0	4		
106	REDACTED CLOSED SESSION	Critical	Critical	Medium	Static	03/01/23	03/01/23	2	0	2		
108	REDACTED CLOSED SESSION	Critical	Critical	Negligible	Dynamic	20/12/22	26/01/23	6	1	6		

## Joint Audit Committee

**Meeting Date: 28 March 2023**

<b>Title;</b>	Proposed Work Programme
<b>Author:</b>	Chief Finance Officer
<b>Purpose of the report:</b>	To agree the work programme
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> X Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• Ensures that the Committee is able to fulfil its duties in line with statutory deadlines, and that all of the Committee’s responsibilities are discharged during the course of each year</li> <li>• Feedback from the Joint Audit Committee, and have added the following items to be brought to future meetings:             <ul style="list-style-type: none"> <li>○ information management and compliance</li> <li>○ provision of internal audit service</li> </ul> </li> </ul>
<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>• For members of the Committee to note which items are subject to a statutory deadline, and therefore the meetings have been arranged to fulfil those requirements.</li> <li>• For members of the Committee to consider additional content which might be presented at future meetings.</li> <li>• For the future work programme to be brought to each meeting, outlining the work for the forthcoming twelve months on a rolling basis.</li> </ul>
<b>Risk register impact:</b>	One of the purposes of the Committee is to provide assurance to the Police and Crime Commissioner and the Chief Constable that financial and non-financial risks are being managed effectively.
<b>Assurance implications:</b>	The purpose of Joint Audit Committee is to provide assurance to the Police and Crime Commissioner and the Chief Constable, in line with the Terms of Reference. The work programme helps to ensure that all relevant areas are presented to the Committee.
<b>Equality Impact:</b>	Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee. There is a <a href="#">Joint Equalities’ Scheme</a> in place.
<b>Information exempt from disclosure:</b>	None.

## **JOINT AUDIT COMMITTEE**

**28 MARCH 2023**

### **PROPOSED WORK PROGRAMME**

**Report by the Chief Finance Officer**

#### **1. INTRODUCTION**

- 1.2 The Joint Audit Committee has been provided with a programme of work annually during the July meeting. This ensures that the Committee is able to fulfil its duties in line with statutory deadlines, and that all of the Committee's responsibilities are discharged during the course of each year.
- 1.3 In addition, items to be presented to the Joint Audit Committee are identified by various means – by officers, staff or the Committee members. These have been added to the work programme on a less formal basis, and are added to the agenda as appropriate.
- 1.4 Policing is an ever-changing environment. While it remains vital that the Joint Audit Committee carry out certain tasks by key dates, presenting the work programme only once each year is inflexible, and does not document sufficiently when newly-identified items are to be presented to the committee. Therefore, at the meeting held on 9 March 2020, the Committee proposed that the work programme be discussed at the end of each meeting.
- 1.5 This report, therefore, includes the proposed work plan for the next twelve months. Where the meeting date has not yet been finalised, the month of the meeting is shown for guidance.

#### **2. RECOMMENDATIONS**

- 2.1 For members of the Committee to note which items are subject to a statutory deadline, and therefore the meetings have been arranged to fulfil those requirements.
- 2.2 For members of the Committee to consider additional content which might be presented at future meetings.
- 2.3 For the future work programme to be brought to each meeting, outlining the work for the forthcoming twelve months on a rolling basis.

#### **3. WORK PROGRAMME**

- 3.1 With the exception of items timetabled the meet statutory deadlines, the work programme is flexible; therefore, additional items may be added should a need arise.
- 3.2 There are a number of standing agenda items currently scheduled for each meeting. These will remain on the JAC agenda until further notice:

Date of Meeting	Work Programme 2022/23
All (Until Further Notice)	<ul style="list-style-type: none"> <li>• Business Update</li> <li>• HMICFRS Update (incorporated above unless significant)</li> <li>• Internal Audit Update</li> <li>• Risk Update</li> <li>• Organisational changes</li> <li>• Roadmap to 2025</li> <li>• Efficiency plans (twice a year)</li> <li>• ICT Digital Update</li> <li>• Work Programme</li> </ul>

The work programme asides from the standing agenda items outlined above are as follows:

Date of Meeting	Work Programme 2023/24
28 March 2023	<ul style="list-style-type: none"> <li>• Capital Strategy (including the Treasury Management Strategy) to be approved before 1 April 2023 - open</li> <li>• Governance update – including draft AGS; Audit Wales – annual plan - open</li> <li>• Risk deep dive: Risk 98: FCIU – Anya - closed</li> <li>• Risk deep dive: Risk 81: Attracting staff to apply for key roles in NWP – Jenny Parry - open</li> <li>• JAC Briefing: ICT Resilience - closed</li> <li>• JAC Briefing: Internal Audit – closed – end of closed session 5 minute update to JAC members, exclude TIAA</li> <li>• JAC Annual Report - draft report and discussion – leads to:- <ul style="list-style-type: none"> <li>○ JAC Briefing: JAC Training Needs – end of closed session</li> <li>○ JAC Briefing: JAC Public Reporting – end of closed session - transparency on reporting of underspend</li> </ul> </li> </ul> <p><b>From December meeting:</b></p> <ul style="list-style-type: none"> <li>• Audit Wales – Value for Money and Annual Audit Report (Management Letter)</li> <li>• Budget briefing, and how this is changing risk and the view of risks - Guto</li> <li>• OPCC risk register – Steve - LQC/Kate Finance – general process Neil</li> <li>• Update on assurance mapping - James</li> <li>• Arlingclose update – update in action log</li> <li>• Clarify JAC role re environment, decarbonisation and sustainability – update in action log</li> </ul>
26 April 2023	<ul style="list-style-type: none"> <li>• All Wales training event (Gwent to host)</li> </ul>
June 2023	<ul style="list-style-type: none"> <li>• Accounts Technical Briefing</li> </ul>
27 July 2023	<ul style="list-style-type: none"> <li>• Force Management Statement</li> <li>• Self-assessment and Annual report of JAC – final report</li> <li>• Risk Strategy &amp; Risk Appetite Statement – Annual Review</li> </ul>

	<ul style="list-style-type: none"> <li>• Risk deep dive: Risk 88 <i>closed session</i></li> <li>• JAC Briefing: Agile working rollout</li> <li>• JAC update: Capital programme (outturn and forward look)</li> <li>• Treasury Management Performance</li> <li>• Legal report</li> </ul>
28 September 2023	<ul style="list-style-type: none"> <li>• Governance Update</li> <li>• HMICFRS Value for Money Profiles</li> <li>• Risk deep dive: Risk 54 <i>closed session</i></li> <li>• JAC Briefing: Collaboration</li> <li>• ISA 260 and signing of accounts (<i>tbc</i>)</li> </ul>
7 December 2023	<ul style="list-style-type: none"> <li>• Audit Wales – Value for Money and Annual Audit Report (Management Letter)</li> <li>• Risk deep dive: Risk 60 <i>closed session</i></li> <li>• Briefing: SSF/SWAN/VAWG</li> <li>• Ethics update</li> <li>• Capital Programme - Update</li> <li>• Governance update</li> <li>• Treasury Management Performance</li> <li>• Legal report</li> <li>• HMICFRS Report – PEEL review</li> </ul>
March 2024	<ul style="list-style-type: none"> <li>• Capital Strategy (including Treasury Management Strategy) <i>to be approved before 1 April 2024</i></li> <li>• Governance update – including draft AGS</li> <li>• Audit Wales – annual plan</li> </ul>
Spring 2024	<ul style="list-style-type: none"> <li>• All Wales Training event</li> </ul>
June 2024	<ul style="list-style-type: none"> <li>• Accounts Technical Briefing</li> </ul>
July 2024	<ul style="list-style-type: none"> <li>• ISA260 and signing of accounts <i>to be signed by 31 July 2024</i></li> <li>• Force Management Statement</li> <li>• Self-assessment and Annual report of JAC – final report</li> <li>• Risk Strategy &amp; Risk Appetite Statement – Annual review</li> <li>• Treasury Management Performance</li> <li>• Legal report</li> </ul>
September 2024	<ul style="list-style-type: none"> <li>• Governance update</li> <li>• HMICFRS Value for money Profiles</li> </ul>
December 2024	<ul style="list-style-type: none"> <li>• Audit Wales – Value for Money and Annual Audit Report (Management Letter)</li> <li>• Governance Update</li> <li>• Treasury Management Performance</li> <li>• Legal report</li> <li>• HMICFRS Report – PEEL Review</li> </ul>

Other items to be discussed with JAC	<p>JAC Evaluation Action Plan – Ensure that dedicated and closed sessions are scheduled as required to progress the JAC Evaluation plan actions as required. This includes reviewing the effectiveness of assurance providers considering the provision of internal audit services specifically.</p> <p>Roll-out of IT Programme (monthly, outside of meetings)</p> <p>Meeting between Joint Audit Committee and Audit Wales</p> <p>Meeting between Joint Audit Committee and Internal Audit</p>
--------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

#### 4. IMPLICATIONS

4.1	Equality	<p>Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee.</p> <p>There is a <a href="#">Joint Equalities' Scheme</a> in place.</p>
4.2	Financial	<p>Planning the work for the forthcoming year reduces the need for ad-hoc meetings.</p>
4.3	Legal	<p>Legislation requires that a Joint Audit Committee be established. The functions of the Joint Audit Committee are summarised within its <a href="#">Terms of Reference</a>, which has been prepared in accordance with <i>Audit Committees\Practical Guidance for local Authorities and Police - 2018 Edition (CIPFA)</i>.</p> <p>This work programme takes account of the statutory and practical requirements to fulfil these obligations.</p>
4.4	Community	<p>Meeting papers and minutes are published, and the meetings are open for the public to attend.</p>
4.5	Risk	<p>One of the purposes of the Committee is to provide assurance to the Police and Crime Commissioner and the Chief Constable that financial and non-financial risks are being managed effectively.</p>
4.6	Police and Crime Plan	<p>The role of the Joint Audit Committee is part of the overall Police and Crime Plan.</p>

#### Report Author:

Kate Jackson  
 Chief Finance Officer, Office of the Police and Crime Commissioner

# Police and Crime Commissioner for North Wales and Chief Constable of North Wales Police

## Annual Audit Letter 2022

This is our annual audit letter for the Police and Crime Commissioner for North Wales and Chief Constable of North Wales Police.

It summarises the key messages and conclusions arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

## The Police and Crime Commissioner's and Chief Constable's responsibilities

It is the Police and Crime Commissioner's (the Commissioner) and Chief Constable's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that their assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in their use of resources.

Police bodies in Wales prepare their financial statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

## My audit responsibilities and conclusions

Each year the Auditor General audits the Commissioner's and Chief Constable's financial statements to make sure that public money is being properly accounted for.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the body's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

We continue to recognise the huge strain COVID-19 has placed on public services and aim to work in a way that seeks to reduce the impact on public bodies' response to COVID-19, while still meeting our statutory duties.

## **The financial statements prepared by the Commissioner and Chief Constable present a true and fair view of their financial position and transactions**

The quality of the draft statements presented for audit on 31 May was good.

A number of changes were made to the financial statements arising from our audit work. The key matters arising from the accounts audit were reported to members of the Joint Audit Committee in my Audit of Financial Statements report on 10 October 2022.

On 17 October 2022, I issued an unqualified audit opinion on the financial statements for both the Commissioner and Chief Constable confirming that they present a true and fair view of each body's financial position and transactions. My report is contained within the Statement of Accounts.

The Annual Governance Statements and Narrative Reports accompanying the annual accounts were prepared in line with the CIPFA Code and relevant guidance. They were consistent with the financial statements and with our knowledge of North Wales Police.

## **I am satisfied that the Commissioner and Chief Constable have appropriate arrangements in place to secure economy, efficiency and effectiveness in their use of resources**

My consideration of the body's arrangements to secure economy, efficiency and effectiveness has been based on:

- the audit work undertaken on the statement of accounts;
- the results of the audit work undertaken on the Commissioner's and Chief Constable's systems of internal control, as reported in the Annual Governance Statement;
- the results of other work carried out by the Auditor General including our review of collaboration of emergency services in Wales and between the four Welsh forces;
- the results of the work of other external review bodies, eg His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), where relevant to my responsibilities; and
- any other work, including from Internal Audit, that I considered necessary to discharge my responsibilities.

For the purposes of my work, I evaluated the Commissioner's and Chief Constable's systems against a number of questions. This approach is set out in detail in **Appendix 1** to this letter. For each question, I consider whether there are gaps in the arrangements expected to be in place, and the significance of those gaps.

Based on the work I have undertaken, I am satisfied that the Commissioner and Chief Constable have appropriate arrangements in place to secure economy, efficiency and effectiveness in their use of resources.

## **I issued a certificate confirming that the audit of the accounts of the Commissioner and Chief Constable have been completed on 17 October 2022**

I received no electors' questions or objections in relation to the 2021-22 audit.

Having given an audit opinion on the financial statements and concluded on the Commissioner's and Chief Constable's arrangements to secure economy, efficiency and effectiveness in its use of resources, I was able to certify that the audit was complete when I issued my audit opinion.

### **Financial audit fee**

The financial audit fee for 2021-22 is currently being reviewed and is expected to be in line with the agreed fee set out in the Annual Audit Plan 2022.

Yours sincerely

A handwritten signature in black ink, appearing to be 'ME', is enclosed in a light grey rectangular box.

Matthew Edwards  
Engagement Director  
For and on behalf of the Auditor General for Wales

# Appendix 1

## Criteria to assess arrangements for securing economy, efficiency and effectiveness in the use of resources

Exhibit 1: criteria for assessing arrangements

<b>Corporate performance management and financial management arrangements</b>	<b>Questions on arrangements</b>
<b>Establishing objectives determining policy and decision making</b>	Has the Commissioner/Chief Constable put in place arrangements for setting, reviewing and implementing their strategic and operational objectives?
<b>Meeting the needs of users, stakeholders and the local population</b>	Has the Commissioner/Chief Constable put in place channels of communication with the local population, users of the service, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
<b>Monitoring and reviewing performance</b>	Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary and reporting to the Commissioner/Chief Constable?
<b>Compliance with established policies</b>	Has the Commissioner/Chief Constable put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
<b>Operational and financial risks</b>	Has the Commissioner/Chief Constable put in place arrangements to manage their significant business risks?

Corporate performance management and financial management arrangements	Questions on arrangements
Managing financial and other resources	Has the Commissioner/Chief Constable put in place arrangements to evaluate and improve the value for money they achieve in their use of resources?
	Has the Commissioner/Chief Constable put in place arrangements to ensure that their spending matches their available resources?
	Has the Commissioner/Chief Constable put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Commissioner/Chief Constable?
Proper standards of conduct etc.	Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutinising performance, to identify potential variances against strategic objectives, standards and targets for taking action?
	Has the Commissioner/Chief Constable put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of their business?

# Appendix 1

Exhibit 2: Consideration of audit work

<p><b>Have auditors identified any indications that proper arrangements may not be in place from a review of the following sources during the course of their normal audit work?</b></p>	<p><b>Findings and conclusion</b></p> <p><b>Based on findings below there are no indications that proper arrangements may not be in place.</b></p>
<p><b>Audit of accounts</b></p>	<p>An Unqualified opinion was issued on 17 October 2022.</p>
<p><b>Local and national Audit Wales reports</b></p>	<p>Review of collaboration of emergency services in Wales. Findings from this review were issued in January 2022.</p> <p>The review concluded that that ‘blue light’ emergency service is slowly growing but requires a step change in activity to maximise impact and make the best use of resources.</p>
<p><b>Internal audit reports</b></p>	<p>During 2021-22, TIAA undertook 24 reviews (20 in 2020-21) including ten undertaken collaboratively across Welsh Forces. Of the 24, 15 were assessed as providing substantial assurance (13 in 2020-21), seven with reasonable assurance (six in 2020-21), two with limited assurance (Health and Safety Management and Fixed Assets) (one in 2020-21).</p> <ul style="list-style-type: none"> <li>• The Head of Internal Audit opinion concluded ‘I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of the Police and Crime Commissioner’s and the Chief Constable’s risk management, control and governance processes. In my opinion, the Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives’.</li> </ul>

<p><b>Have auditors identified any indications that proper arrangements may not be in place from a review of the following sources during the course of their normal audit work?</b></p>	<p><b>Findings and conclusion</b></p> <p><b>Based on findings below there are no indications that proper arrangements may not be in place.</b></p>
<p><b>His Majesty's Inspectorate of Constabulary and Fire &amp; Rescue Services (HMICFRS) Inspection reports</b></p>	<p>A joint thematic inspection of the criminal justice journey for individuals with mental health needs and disorders was undertaken and the report was published in November 2021. Recommendations have been issued to all police forces.</p>
<p><b>Review of key papers eg strategies, plans, meeting papers, etc</b></p>	<p>A review of the key papers is carried out as part of our audit process. We consider if the Financial Statements and the Annual Governance Statement are consistent with the information we have gathered from these sources.</p> <p>Our work did not identify any inconsistencies.</p>
<p><b>Budget reporting</b></p>	<p>The Medium-Term Financial Strategy 2021-26 outlines budget requirements and spending expectations. This strategy is (five-year forward view) refreshed annually to ensure forthcoming funding shortfalls are identified early and corrective action taken, thus ensuring resources match planned expenditure.</p>

The Auditor General is independent of government, and was appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies, assesses compliance with the remaining requirements of the Local Government (Wales) Measure 2009 and may undertake special inspections under the Local Government and Elections (Wales) Act 2021.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

**Joint Audit Committee**

**Meeting Date: 28 March 2023**

<b>Title:</b>	<b>Draft Annual Capital Strategy and Treasury Management Report 2023-24</b>
<b>Author:</b>	<b>Chief Finance Officer</b>
<b>Purpose of the report:</b>	<b>To give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of police services along with an overview of how associated risk is managed and the implications for future financial sustainability.</b>
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> <b>Assurance</b> <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• This report stems from CIPFA’s Treasury Management (TM) in the Public Services Code of practice and there is a legal requirement to abide by the Code.</li> <li>• It gives details of the Capital Programme, Revenue Provision for Borrowing and the Treasury Management and Investment Strategy 2022/23 to 2027/28, which are attached in the appendices.</li> <li>• It deals with the investment of surplus cash and any borrowing requirements.</li> <li>• It highlights the authorised limits and indicators within which the TM function operates on a daily basis.</li> </ul>
<b>Recommendations:</b>	The report is submitted to the Joint Audit Committee for information and comment, and to give its assurance prior to submission to the Police and Crime Commissioner
<b>Risk register impact:</b>	No impact – the arrangements are designed to manage the risk from investing and borrowing.
<b>Assurance implications:</b>	The report sets out the rules and limits for investing and borrowing money per the TM Strategy for 2023-24. There are no significant changes from last year’s TM Strategy.
<b>Equality Impact:</b>	No impact.
<b>Information exempt from disclosure:</b>	No exempt information.

## JOINT AUDIT COMMITTEE

28 March 2023

### Draft Capital Strategy Report Executive Summary 2022-23 to 2027-28

#### Report by the Chief Constable's and Police and Crime Commissioner's Chief Finance Officers



1. The enclosed draft report meets the requirements of CIPFA's Treasury Management in the Public Services Code of practice which the Police and Crime Commissioner is legally required to follow. The main document, the Capital Strategy, brings together the Capital Programme, Revenue Provision for Borrowing, Treasury Management and Investment Strategy and the Treasury Indicators; with the intention of simplifying what is a highly technical area. However, as the report is still highly technical, this covering report will briefly explain the overall purpose and highlight what the Police and Crime Commissioner is being asked to agree in adopting the Strategy. The Strategy and its constituent elements have to be agreed annually by the Police and Crime Commissioner. The purpose of presenting this report to the Joint Audit Committee is for discussion and comment prior to submission to the Police and Crime Commissioner.
2. There are no fundamental changes to the strategy this year.
3. The overall purpose of the Capital Strategy is for the Police and Crime Commissioner to:
  - Formally agree the Capital Programme (Appendix A)
  - Agree which method is adopted for the repayment of debt via the Minimum Revenue Provision Statement (MRP) (Appendix B)
  - Provide the strategy framework for Treasury Management which encompasses borrowing for capital expenditure and investing residual balances (Appendix C)
  - Agree the Treasury Indicators that set limits on the levels of borrowing, as well as limits on the types of counterparties for investments (Appendix C)
4. The Capital Programme has been agreed by the Chief Constable and the Police and Crime Commissioner as part of the planning cycle feeding into the Medium-Term Financial Plan (MTFP). A further exercise has since been undertaken to re-assess the phasing of individual capital projects which has resulted in a change in the timing of the projects but not a significant change to the overall costs (Table 1 and Appendix A).
5. A primary and critical requirement is that the Capital Programme is affordable within the resources available - this is achieved by a combination of external funding, own resources (in year budget or reserves) or debt. The programme is affordable and the split in financing is shown in Table 2.
6. Debt must be repaid; this is done through the revenue budget by means of the minimum revenue provision (MRP). There is statutory guidance in relation to how the debt is serviced. Historical debt (pre-2008) is repaid based on the rules that were in place at the time of 4% reducing balance. For capital expenditure incurred after 31.3.2008 the MRP is determined by charging the expenditure over the useful life of the asset. Table 3 summarises the cost, and further details are contained in Appendix B.

- 7.** The total debt relating to capital is called the Capital Financing Requirement (CFR). Movement in the CFR is summarised in Table 4. The total CFR increases from a projected £28.44m at 31.3.2023 to £37.11m at 31.3.2028.
- 8.** One source of internal funding is Capital Receipts, these are the proceeds from the sales of assets, and these can only be used to fund capital expenditure. The projected movement in Capital Receipts are shown in Table 5.
- 9.** The Treasury Management strategy relates to the management of cash balances in terms of borrowing and investments. Priority is given to security of funds, followed by liquidity and then yield. Section 3 of the Capital Strategy summarises the TM strategy with the details in Appendix C.
- 10.** In terms of borrowing a balance is struck between external and internal borrowing and long and short-term borrowing. This is slightly complicated by funding income not being received consistently throughout the year with one large payment being received each July for the Pensions Grant, and the Home Office Welsh Top-Up Grant of £22.5m being paid in one lump sum upfront in April 2023 (Appendix C, Graphs 1 and 2). Short-term loans have lower interest rates but this can change over time.
- 11.** Investments are tightly controlled minimising risk as far as possible by managing counter parties through credit and other ratings and limiting the amount and length of investments.
- 12.** As per the previous Strategy, the minimum liquidity level of £10m has been expanded for practical purposes to also allow a lower operational limit of £7.5 million for a maximum of 14 days to avoid unnecessary short-term borrowing (see Appendix C, paragraph 6.3).
- 13.** Table 10 shows the total financing costs as a percentage of net revenue budget, this is projected to increase from 3.20% to 4.32% from 2023-24 to 2027-28.
- 14.** Professionally qualified and specifically trained staff have responsibility for making decisions relating to capital expenditure, investments and borrowing. In addition to this, professional advisors are retained to provide advice and guidance in these technical areas.

# Capital Strategy Report 2023/24 (DRAFT)

## 1. Introduction

- 1.1. This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas.
- 1.2. Decisions made this year on capital and treasury management will have financial consequences for the Police and Crime Commissioner for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

## 2. Capital Expenditure and Financing

- 2.1. Capital expenditure is where the Police and Crime Commissioner spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 2.2. The draft Capital Programme was presented to the Strategic Executive Board (SEB) on 15 February 2023 as part of the Medium-Term Financial Plan and agreed subject to the final ratification of this Capital Strategy. A further exercise has been undertaken to re-assess the phasing of individual capital projects which has resulted in a change in the timing of the projects but not a significant change in the overall costs. The Police and Crime Commissioner is planning capital expenditure as summarised below, with details as shown in **Appendix A**:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
<b>Total Capital Expenditure</b>	4.24	7.04	12.21	15.05	9.58	5.78	3.60

- 2.3. **Governance (capital expenditure):** The PCC's assets and infrastructure need continual investment in order to ensure an efficient and modern working environment. The Capital Programme reflects the implementation of the Estates, IT and Fleet Strategies. The implementation of Operation Uplift and reviewing the requirements as part of the planning cycle has resulted in revisions to the planned Programme. There have been a number of issues such as supply chain delays, planning consent delays and increased costs due to higher inflation which have delayed and made implementing the capital programme challenging. A major element of the existing Programme was the Emergency Service Network (ESN) replacement programme - this has now been delayed beyond the date of the Capital Programme. The profiling of each capital scheme is based on best estimates at a point in time, and these are constantly monitored and subject to review. However, in order to establish a base-level of funding a few critical work streams require to be included in the Capital Programme prior to the finalisation of a full business case. Some of these may ultimately require an element of re-profiling if they straddle two financial years e.g Body Worn Video (BWV) replacement.
- 2.4. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Police and Crime Commissioner's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
External sources	0.12	0.00	0.00	0.00	0.00	0.00	0.00
Capital receipts	0.06	0.43	0.25	2.52	0.75	0.10	0.00
Revenue resources	3.29	3.78	5.62	4.35	3.02	2.73	2.28
Debt	0.77	2.83	6.34	8.18	5.81	2.95	1.32
<b>TOTAL</b>	<b>4.24</b>	<b>7.04</b>	<b>12.21</b>	<b>15.05</b>	<b>9.58</b>	<b>5.78</b>	<b>3.60</b>

- 2.5. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP are as follows:

Table 3: Replacement of prior years' debt finance in £ millions

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
<b>Budgeted MRP (Own resources)</b>	2.74	2.39	2.52	2.82	3.22	3.62	4.21

- The Police and Crime Commissioner's full minimum revenue provision (MRP) statement is shown on Appendix B to this report

- 2.6. The Police and Crime Commissioner's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £3.9m during 2023/24. Based on the above figures for expenditure and financing, the Police and Crime Commissioner's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
<b>Total CFR</b>	28.00	28.44	32.35	37.88	40.46	39.79	37.11

- 2.7. **Asset management:** To ensure that capital assets continue to be of long-term use, the Police and Crime Commissioner has relevant Estates, Fleet and IT management strategies in place.
- 2.8. **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Police and Crime Commissioner plans to receive £2.61m of capital receipts in the financial years 2022/23 onwards as follows:

Table 5: Capital receipts receivable in £ millions

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
<b>Opening balance</b>	<b>2.08</b>	<b>2.35</b>	<b>3.65</b>	<b>3.40</b>	<b>0.88</b>	<b>0.50</b>	<b>0.90</b>
Receipts	0.33	1.73	0.00	0.00	0.38	0.50	0.00
Budgeted use	(0.06)	(0.43)	(0.25)	(2.52)	(0.10)	(0.10)	(0.00)
<b>Balance</b>	<b>2.35</b>	<b>3.65</b>	<b>3.40</b>	<b>0.88</b>	<b>0.50</b>	<b>0.90</b>	<b>0.90</b>

### 3. Treasury Management

- 3.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Police and Crime Commissioner's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Police and Crime Commissioner is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.2. The Treasury Management Strategy (Appendix C) sets out the parameters under which the Treasury Management activities are governed and monitored. These are based on prioritising security first, liquidity second and yield last.

This does reduce potential investment income but minimises the risk of losing money through riskier investments. The below summarises the main points of the Treasury Management Strategy.

- 3.3. **Borrowing strategy:** The Police and Crime Commissioner’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Police and Crime Commissioner therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 3.4. The Borrowing Strategy is also balanced by revenue cash available being used rather than borrowing, known as internal borrowing. Internal borrowing has been used extensively over recent years generating savings in interest charges per year and reducing risk by not investing cash. However, use of reserves to fund Capital has reduced the available amounts to internally borrow. Another factor to consider is that the Police and Crime Commissioner’s income is not constant during the year; this is due to a Pension Grant of around £20m being received in one lump sum each July. Furthermore, for 2023/24 the Home Office Welsh Top-Up Grant of £22.5m will be paid in one lump sum upfront in April 2023 (as opposed to monthly instalments).
- 3.5. The Police and Crime Commissioner does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 3.6. Projected levels of the Police and Crime Commissioner’s total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
Debt (incl. PFI & leases)	17.10	15.65	14.12	12.50	10.79	8.97	7.04
Capital Financing Requirement	28.00	28.44	32.35	37.88	40.46	39.79	37.11

- 3.6. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Police and Crime Commissioner expects to comply with this in the medium term.
- 3.7. **Liability benchmark:** To compare the Police and Crime Commissioner’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2022 actual £m	31.3.2023 forecast £m	31.3.2024 budget £m	31.3.2025 budget £m	31.3.2026 budget £m	31.3.2027 budget £m	31.3.2028 budget £m
Outstanding borrowing	8.88	8.38	7.88	7.38	6.88	6.38	5.88
Liability benchmark	(11.23)	(16.64)	(2.30)	9.83	15.95	17.52	17.20

The outstanding borrowing in the table above shows the current level of committed borrowing, and the liability benchmark is an indicator of the maximum we may need to borrow in order to keep cash and investment balances above £10m. The actual level of borrowing will depend on cashflow throughout the year and will be somewhere between the two levels outlined above.

- 3.8. **Affordable borrowing limit:** The Police and Crime Commissioner is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m	2027/28 limit £m
Authorised limit – borrowing	24.61	27.10	33.75	37.55	38.20	36.94
Authorised limit – PFI and leases	7.28	6.24	5.13	3.91	2.60	1.17
Authorised limit – total external debt	<b>31.89</b>	<b>33.34</b>	<b>38.88</b>	<b>41.46</b>	<b>40.80</b>	<b>38.11</b>
Operational boundary – borrowing	22.61	25.10	31.75	35.55	36.20	34.94
Operational boundary – PFI and leases	7.28	6.24	5.13	3.91	2.60	1.17
Operational boundary – total external debt	<b>29.89</b>	<b>31.34</b>	<b>36.88</b>	<b>39.46</b>	<b>38.80</b>	<b>36.11</b>

- 3.9. **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 3.10. The Police and Crime Commissioner’s policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Police and Crime Commissioner may request its money back at short notice.

Table 9: Treasury management investments in £millions

	31.3.2022 actual £m	31.3.2023 forecast £m	31.3.2024 budget £m	31.3.2025 budget £m	31.3.2026 budget £m	31.3.2027 budget £m	31.3.2028 budget £m
Near-term investments	30.1	35.02	17.75	10.00	10.00	10.00	10.00
Longer-term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>30.1</b>	<b>35.02</b>	<b>17.75</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>

- 3.11. **Risk management:** The effective management and control of risk are prime objectives of the Police and Crime Commissioner’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
- 3.12. **Governance (risk management):** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and staff, who must act in line with the treasury management strategy approved by the Police and Crime Commissioner and Joint Audit Committee (JAC). Reports on treasury management activity are presented to The Strategic Executive Board (SEB) and JAC. The JAC is responsible for scrutinising treasury management decisions.
- 3.13. **Investments for Service Purposes:** The Police and Crime Commissioner **does not** currently make investments to assist local public services (which might include making loans to or buying shares in local service providers and/or local small businesses to promote economic growth).
- 3.14. **Commercial Activities:** Despite central government financial support for local public services declining, the Police and Crime Commissioner **does not** invest in commercial property purely or mainly for financial gain.
- 3.15. **Liabilities:** In addition to debt detailed above, the Police and Crime Commissioner is committed to making future payments to cover its pension fund costs. Police Officers’ pension scheme is an unfunded scheme which is underwritten by the Government, and the liabilities stood at £1,888.0m as at 31.3.22. The cost to the Police and Crime Commissioner is the employer contribution rate, which is currently 31%. The deficit on the Staff Pension fund stood at £62.0m as at 31.3.22, this is also managed through the contribution rate which is currently set at 19% (and will be reducing to 18.7% from April 2023).

3.16. **Governance (liabilities):** Decisions on incurring new discretionary liabilities are taken by the Chief Officer Team in consultation with the Police and Crime Commissioner and his Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance and reported to the Strategic Management Board (SMB) and SEB as necessary. Details of contingent liabilities as at 31 March will be included in the annual Statement of Accounts.

#### 4. **Revenue Budget Implications**

4.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

*Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream*

	<b>2021/22 actual</b>	<b>2022/23 forecast</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>	<b>2025/26 budget</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>
Financing costs (£m)	£3.68m	£3.25m	£3.20m	£3.31m	£3.78m	£4.06m	£4.32m
<b>Financing costs as % of net revenue stream</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>2.1%</b>
Level of debt (£m)	£17.10m	£15.65m	£14.12m	£12.50m	£10.79m	£8.97m	£7.04m
Level of debt as % of net revenue stream	9.9%	8.6%	7.5%	6.4%	5.4%	4.4%	3.4%
Level of CFR as % of net revenue stream	16.2%	16.9%	21.9%	22.2%	20.2%	19.8%	19.5%

4.2. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Police and Crime Commissioner's Finance Officer and the Director of Finance and Resources are satisfied that the proposed capital programme is prudent, affordable and sustainable as there are revenue streams or reserves in place to fund the Programme as set out. It is likely that additional resources will need to be budgeted for future investments beyond the current Programme.

#### 5. **Knowledge and Skills**

5.1. The Police and Crime Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Training is provided to all staff involved in making capital expenditure, borrowing and investment decisions.

5.2. Where Police and Crime Commissioner staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Police and Crime Commissioner currently employs Arlingclose Limited as treasury management advisers, Wilks Head and Eve as property consultants and BDO as tax consultants. This approach is more cost effective than employing such staff directly and ensures that the Police and Crime Commissioner has access to knowledge and skills commensurate with its risk appetite.

## APPENDIX A

2021-22		2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Actuals	Description	Revised Estimate	Est	Est	Est	Est	Est	Project Costs 2022-23 to 2027-28
£000		£000	£000	£000	£000	£000	£000	£000
	<b>Estate Programme</b>							
26	Retentions, Consultancy and QS Sustainability Improvements	25 152	250	100	100	100		25 702
	<b>Estates estimate 25-26 onwards</b>				2,000			<b>2,000</b>
241	Pwllheli PS							0
	Holyhead PS	250	2,927	3,323				6,500
	Force HQ Canteen							0
141	Caernarfon & North Gwynedd Estate Area	250	376					626
323	VCC / Vehicle Workshop	1,577						1,577
	Armed Alliance							0
	Dolgellau PS				1,200			1,200
	Abergele PS		391					391
	Llanrwst PS	150	28					178
	Flintshire PS - North			700	2,300			3,000
	Flintshire PS - South		50	3,650	450			4,150
	Force Control Room Upgrading	150						150
	Archive Store			750				750
	Rhosllanerchrugog PS			190				190
56	Re locate/ co locate/ vacate	130	164					294
346	Firearms Base works	38				2,000		2,038
	CS - SARC ISO Accreditation	25	575					600
<b>1,133</b>	<b>Total Building Works</b>	<b>2,747</b>	<b>4,761</b>	<b>8,713</b>	<b>6,050</b>	<b>2,100</b>	<b>0</b>	<b>24,371</b>
	<b>Vehicles and Other Equipment</b>							
650	Vehicle Purchase Replacement Programme	1,485	2,856	1,620	1,756	1,300	1,642	10,659
	PSU Vehicles (replacemnt programme)			780				780
	Electric Vehicles		41	41	41	41	41	205
	Tranman development	0	60					60
	Intoxilators x 3	30						30
105	ANPR replacement	150						150
134	Collision Surveying Equipment	41						41
<b>889</b>	<b>Total Vehicles and Other Equipment</b>	<b>1,706</b>	<b>2,957</b>	<b>2,441</b>	<b>1,797</b>	<b>1,341</b>	<b>1,683</b>	<b>11,925</b>

2021-22		2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Actuals	Description	Revised Estimate	Est	Est	Est	Est	Est	Project Costs
£000		£000	£000	£000	£000	£000	£000	2022-23 to 2027-28
£000		£000	£000	£000	£000	£000	£000	£000
	<b>Information Technology and Communication Equipment</b>							
525	Desk Top Replacement (Replacement Programme)	500	682	1,800	1,736	1,054	820	6,592
	Server Replacement	280	420			700		1,400
19	Lockers for charging and storage							0
	Business Systems Servers (Replacement Programme)							0
	DFU Server replacement		270					270
	Telephony		250					250
12	Nexus Upgrade	368						368
	Digital Interview Recorder		450					450
63	NEP Device Re-build	255						255
133	Mobile data devices	468				585		1,053
	NEP Infrastructure/Sail Point/Internet Links	22						22
40	Digital Workplace audio visual	0	86					86
	Digital Intelligence & Investigation	0	196					196
1,198	Command and Control Upgrade - Phase 2	600	755					1,355
	Life-X Deployment	0		1,100				1,100
72	Emergency Service Network	0						0
	Airwave replacement units	90	285	1,000				1,375
	Body Worn Video (replacement costs)		1,100			0	1,100	2,200
	Mobile app							0
93	Wi-Fi							0
63	National Enablement Programme							0
<b>2,218</b>	<b>Total Information Technology and Communication</b>	<b>2,583</b>	<b>4,494</b>	<b>3,900</b>	<b>1,736</b>	<b>2,339</b>	<b>1,920</b>	<b>16,972</b>
<b>4,240</b>	<b>Total Capital Expenditure</b>	<b>7,036</b>	<b>12,212</b>	<b>15,054</b>	<b>9,583</b>	<b>5,780</b>	<b>3,603</b>	<b>53,268</b>

2021-22		2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Actuals	Description	Revised Estimate	Est	Est	Est	Est	Est
£000		£000	£000	£000	£000	£000	£000
1,133	Total Building Works	2,747	4,761	8,713	6,050	2,100	0
889	Total Vehicles and Other Equipment	1,706	2,957	2,441	1,797	1,341	1,683
2,218	Total Information Technology and Communication	2,583	4,494	3,900	1,736	2,339	1,920
<b>4,240</b>	<b>Total Capital Expenditure</b>	<b>7,036</b>	<b>12,212</b>	<b>15,054</b>	<b>9,583</b>	<b>5,780</b>	<b>3,603</b>
	<b>Funding</b>						
123	Home Office Grant	0	0	0	0	0	0
2,465	Revenue Contribution	2,946	3,327	3,082	3,025	2,726	2,280
820	Earmarked Reserves	835	2,297	1,270	0	0	0
61	Capital Receipts	426	250	2,523	750	100	0
638	Borrowing for Estates	2,271	4,386	5,790	4,620	2,000	0
133	Borrowing for replacement programme	558	1,952	2,389	1,188	954	1,323
<b>4,240</b>	<b>Total Funding</b>	<b>7,036</b>	<b>12,212</b>	<b>15,054</b>	<b>9,583</b>	<b>5,780</b>	<b>3,603</b>

### Annual Minimum Revenue Provision Statement 2023/24

Where the Police and Crime Commissioner finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Police and Crime Commissioner to have regard to Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2018.

The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Police and Crime Commissioner to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

- For capital expenditure incurred before 1<sup>st</sup> April 2008 MRP will be determined as 4% of the capital financing requirement in respect of that expenditure. *(Option 2)*
- For capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset **in equal instalments**, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3)*
- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later.

Based on the Police and Crime Commissioner's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2023, the budget for MRP has been set as follows:

	31.03.2023 Estimated CFR £m	2023/24 Budgeted MRP £
Capital expenditure before 01.04.2008	6.95	0.28
Capital expenditure after 31.03.2008	14.26	1.21
Leases and Private Finance Initiative	7.23	1.03
<b>Total General Fund</b>	<b>28.44</b>	<b>2.52</b>

## Treasury Management Strategy Statement 2023/24 (DRAFT)

### 1. Introduction

- 1.1. Treasury management is the management of the Police and Crime Commissioner's cash flows, borrowing and investments, and the associated risks. The Police and Crime Commissioner has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Police and Crime Commissioner's prudent financial management.
  - 1.2. Treasury risk management at the Police and Crime Commissioner is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Police and Crime Commissioner to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Police and Crime Commissioner Investments in November 2019 that requires the Police and Crime Commissioner to approve an investment strategy before the start of each financial year. This report fulfils the Police and Crime Commissioner's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.
  - 1.3. **Revised strategy:** In accordance with the WG Guidance, the Police and Crime Commissioner will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large, unexpected change in interest rates, in the Police and Crime Commissioner's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.
2. **External Context** (*below relates to data/commentary as at 06/01/23. Further weekly 'Review and Preview' emails have also been received from Arlingclose, as well as relevant daily updates*).
- 2.1. **Economic background:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Police and Crime Commissioner's treasury management strategy for 2023/24.
  - 2.2. The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
  - 2.3. The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.
  - 2.4. The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
  - 2.5. CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

- 2.6. The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 2.7. Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.
- 2.8. Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.
- 2.9. **Credit outlook:** Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.
- 2.10. CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.
- 2.11. The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.
- 2.12. There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.
- 2.13. However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.
- 2.14. **Interest rate forecast (December 2022):** The Police and Crime Commissioner's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 2.15. While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
- 2.16. Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 2.17. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix C.1.

### 3. Local Context

3.1. On 31<sup>st</sup> March 2023, the Police and Crime Commissioner is expected to hold £8.38m of borrowing and £35.02m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	<b>31.3.22</b> <b>Actual</b> <b>£m</b>	<b>31.3.23</b> <b>Estimate</b> <b>£m</b>	<b>31.3.24</b> <b>Forecast</b> <b>£m</b>	<b>31.3.25</b> <b>Forecast</b> <b>£m</b>	<b>31.3.26</b> <b>Forecast</b> <b>£m</b>	<b>31.3.27</b> <b>Forecast</b> <b>£m</b>	<b>31.3.28</b> <b>Forecast</b> <b>£m</b>
Capital financing requirement	28.00	28.44	32.35	37.88	40.46	39.79	37.11
Less: Other debt liabilities *	(8.23)	(7.28)	(6.24)	(5.13)	(3.91)	(2.60)	(1.17)
<b>Loans CFR</b>	<b>19.77</b>	<b>21.16</b>	<b>26.11</b>	<b>32.75</b>	<b>36.55</b>	<b>37.19</b>	<b>35.94</b>
Less: External borrowing **	(8.88)	(8.38)	(7.88)	(7.38)	(6.88)	(6.38)	(5.88)
<b>Internal (over) borrowing</b>	<b>10.89</b>	<b>12.78</b>	<b>18.23</b>	<b>25.37</b>	<b>29.67</b>	<b>30.81</b>	<b>30.06</b>
Less: Balance sheet resources	(41.00)	(47.81)	(38.40)	(32.92)	(30.60)	(29.67)	(28.75)
<b>(Treasury investments) or New borrowing</b>	<b>(30.11)</b>	<b>(35.03)</b>	<b>(20.17)</b>	<b>(7.55)</b>	<b>(0.93)</b>	<b>1.14</b>	<b>1.31</b>

\* leases and PFI liabilities that form part of the Police and Crime Commissioner's total debt

\*\* shows only loans to which the Police and Crime Commissioner is committed and excludes optional refinancing

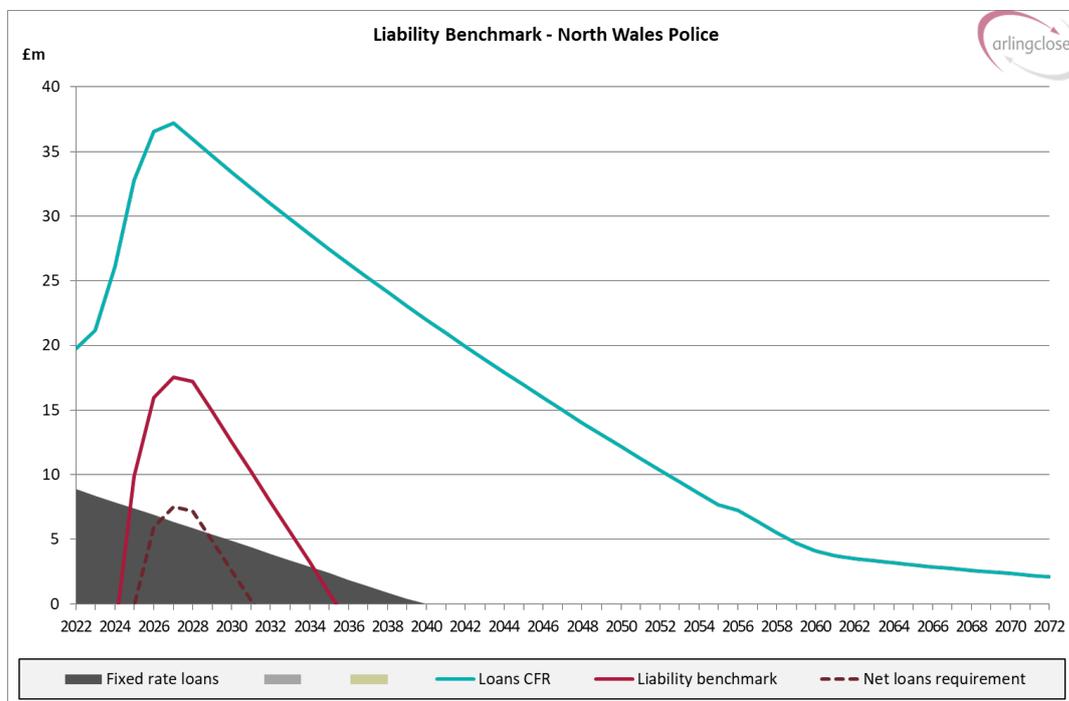
- 3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Police and Crime Commissioner's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.3. The Police and Crime Commissioner has an increasing CFR due to the capital programme but decreasing investments may lead to a need to borrow up to £7.2m (which includes £5.88m of existing borrowing) over the forecast period in order to maintain a positive level of liquidity/breakeven (see also 3.5 below). However, if the capital programme is delayed this will also impact on the timing of our need to borrow.
- 3.4. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Police and Crime Commissioner's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Police and Crime Commissioner expects to comply with this recommendation during 2023/24.
- 3.5. **Liability benchmark:** To compare the Police and Crime Commissioner's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 3.6. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	<b>31.3.22</b> <b>Actual</b> <b>£m</b>	<b>31.3.23</b> <b>Estimate</b> <b>£m</b>	<b>31.3.24</b> <b>Forecast</b> <b>£m</b>	<b>31.3.25</b> <b>Forecast</b> <b>£m</b>	<b>31.3.26</b> <b>Forecast</b> <b>£m</b>	<b>31.3.27</b> <b>Forecast</b> <b>£m</b>	<b>31.3.28</b> <b>Forecast</b> <b>£m</b>
Loans CFR	19.77	21.17	26.10	32.75	36.55	37.20	35.94
Less: Balance sheet resources	(41.00)	(47.81)	(38.40)	(32.92)	(30.60)	(29.67)	(28.75)
<b>Net loans requirement</b>	<b>(21.23)</b>	<b>(26.64)</b>	<b>(12.30)</b>	<b>(0.17)</b>	<b>5.95</b>	<b>7.53</b>	<b>7.19</b>
Plus: Liquidity allowance	10.00	10.00	10.00	10.00	10.00	10.00	10.00
<b>Liability benchmark</b>	<b>(11.23)</b>	<b>(16.64)</b>	<b>(2.30)</b>	<b>9.83</b>	<b>15.95</b>	<b>17.53</b>	<b>17.19</b>

3.7. Following on from the medium-term forecasts in table 2 above, the Police and Crime Commissioner plans to remain borrowed in line with its cash-flow forecast in order to minimise risk. The cash-flow forecast reflects the peaks and troughs over the financial year whereas the liability benchmark reflects a specific point in time – both need to be considered when deciding to borrow:

Graph 1: Liability Benchmark



**4. Borrowing Strategy**

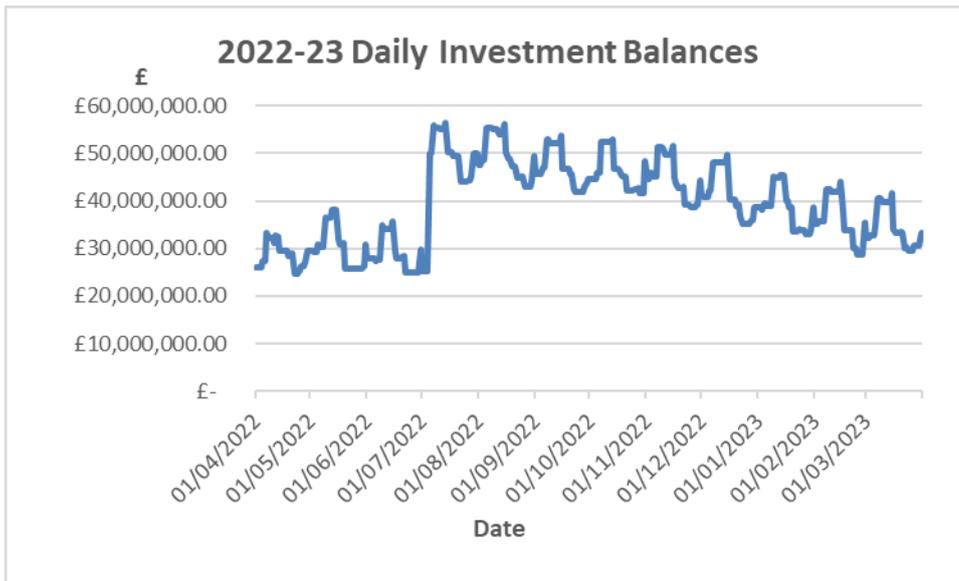
- 4.1. The Police and Crime Commissioner currently holds £8.38 million of loans, a decrease of £0.50 million on the previous year, as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in table 1 shows that the Police and Crime Commissioner does not expect to need to borrow in 2023/24. The Police and Crime Commissioner may however borrow to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £33.34 million.
- 4.2. **Objectives:** The Police and Crime Commissioner’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Police and Crime Commissioner’s long-term plans change is a secondary objective.
- 4.3. **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Police and Crime Commissioner’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 4.4. By doing so, the Police and Crime Commissioner is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Police and Crime Commissioner with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Police and Crime Commissioner borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 4.5. The Police and Crime Commissioner has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; however the Police and Crime Commissioner intends to avoid this activity and so will retain its access to PWLB loans.
- 4.6. Alternatively, the Police and Crime Commissioner may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.7. In addition, the Police and Crime Commissioner may borrow short-term loans to cover unplanned cash flow shortages.
- 4.8. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - any other UK public sector body
  - UK public and private sector pension funds (except the Gwynedd Pension Fund)
  - capital market bond investors
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local Police and Crime Commissioner bond issues
- 4.9. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
  - hire purchase
  - Private Finance Initiative
  - sale and leaseback
- 4.10. **Short-term and variable rate loans:** These loans leave the Police and Crime Commissioner exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. However normal practice is to borrow and/or invest at fixed rates which removes any interest rate exposure risk.

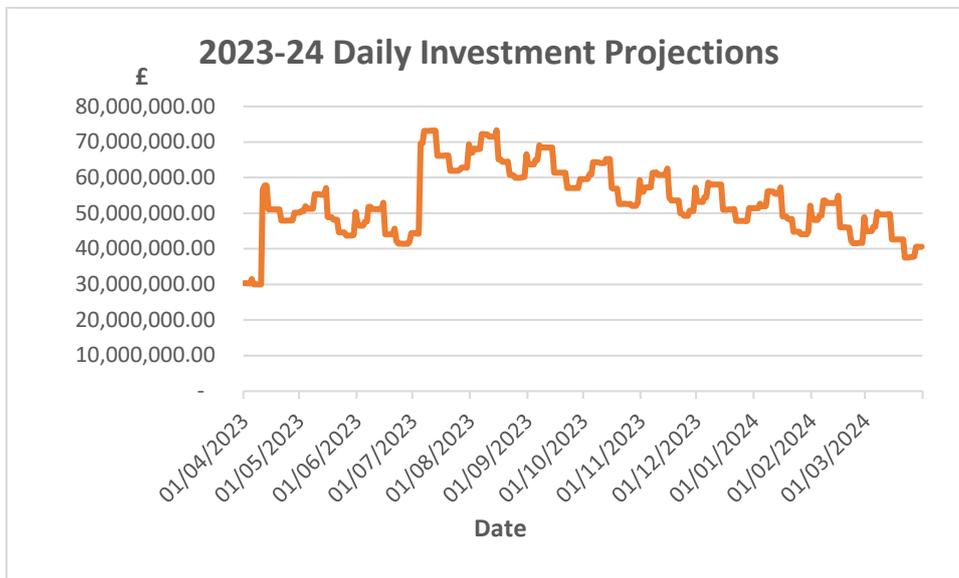
## 5. **Treasury Investment Strategy**

- 5.1. The Police and Crime Commissioner holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Police and Crime Commissioner's treasury investment balance has ranged between £56.4 and £24.8 million (Graph 2). Projections for the forthcoming year show a similar trend with the exception of the Home Office Welsh Top-Up Grant of £22.5m being paid in one lump sum upfront in April 2023 (as opposed to monthly instalments) (Graph 3).

Graph 2: Daily investment balance (2022-23)



Graph 3: Daily investment projection (2023-24)



- 5.2. **Objectives:** Both the CIPFA Code and the WG Guidance require the Police and Crime Commissioner to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Police and Crime Commissioner’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Police and Crime Commissioner will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Police and Crime Commissioner aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 5.3. **Strategy:** As demonstrated by the liability benchmark above, the Police and Crime Commissioner expects to be a long-term borrower and treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.
- 5.4. **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Police and Crime Commissioner’s ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Police and Crime Commissioner will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for

Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. Arlingclose intend to publish on a quarterly basis which counterparties and fund managers are signatories to ESG-related initiatives.

- 5.5. **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Police and Crime Commissioner’s “business model” for managing them. The Police and Crime Commissioner aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 5.6. **Approved counterparties:** The Police and Crime Commissioner may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Counterparty limit (Proposed)	Counterparty limit (Current)	Sector limit
The UK Government	Unlimited	Unlimited	n/a
Local authorities & other government entities	£7.5m	£7m	Unlimited
HSBC <sup>1</sup> *	£10m	£10m	n/a
Secured investments *	£7.5m	£7m	Unlimited
Banks (unsecured) *	£5m	£4m	Unlimited
Building societies (unsecured) *	£4m	£4m	Unlimited
Registered providers (unsecured) *	£5m	£4m	£5m
Money market funds *	£5m	£4m	Unlimited
Strategic pooled funds*	£5m	£4m	£5m

<sup>1</sup> These are the Commissioner’s bankers and are currently rated AA- by Fitch credit rating agency  
This table must be read in conjunction with the notes below.

- 5.7. **\*Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.
- 5.8. **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 5.9. **Secured investments:** Investments secured on the borrower’s assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 5.10. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

- 5.11. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 5.12. **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Police and Crime Commissioner will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.13. **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Police and Crime Commissioner to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Police and Crime Commissioner's investment objectives will be monitored regularly.
- 5.14. **Operational bank accounts:** The Police and Crime Commissioner may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Police and Crime Commissioner maintaining operational continuity.
- 5.15. **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Police and Crime Commissioner's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be,
  - and full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.16. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 5.17. **Other information on the security of investments:** The Police and Crime Commissioner understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Police and Crime Commissioner's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 5.18. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Police and Crime Commissioner will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Police and Crime Commissioner's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.19. **Investment limits:** The Police and Crime Commissioner’s revenue reserves available to cover investment losses are forecast to be £48 million on 31<sup>st</sup> March 2023 and £36 million on 31<sup>st</sup> March 2024. In order that these reserves are not put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be as shown in table 3 above. It is proposed to slightly increase these limits from 2023/24 onwards to reflect the increase in cashflow projection as outlined in Graph 3. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.20. **Liquidity management:** The Police and Crime Commissioner uses purpose-built cash flow forecasting methods to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Police and Crime Commissioner being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Police and Crime Commissioner’s medium-term financial plan and cash flow forecast. The Police and Crime Commissioner will spread its liquid cash over approved providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

**6. Treasury Management Prudential Indicators**

6.1. The Police and Crime Commissioner measures and manages its exposures to treasury management risks using the following indicators.

6.2. **Security:** The Police and Crime Commissioner has adopted a voluntary measure of its exposure to credit risk by setting a minimum credit rating of A- for its investments.

Credit risk indicator	Target
Minimum credit rating for investments	A-

6.3. **Liquidity:** The Police and Crime Commissioner has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling twelve-month period, without additional borrowing. For practical purposes a lower operational limit of £7.5 million for a maximum of 14 days will be set to avoid unnecessary short-term borrowing.

Liquidity risk indicator	Limit
Minimum cash available within 12 months	£10m
Lower limit for a maximum of 14 days	£7.5m

6.4. **Interest rate exposures:** This indicator is set to control the Police and Crime Commissioner’s exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£50,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£50,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. However normal practice is to borrow and/or invest at fixed rates which removes any interest rate exposure risk.

6.5. **Maturity structure of borrowing:** This indicator is set to control the Police and Crime Commissioner’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 6.6. **Long-term treasury management investments:** The purpose of this indicator is to control the Police and Crime Commissioner’s exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£5m	£3m	£1m

## 7. Related Matters

- 7.1. The CIPFA Code requires the Police and Crime Commissioner to include the following in its treasury management strategy.
- 7.2. **Financial derivatives:** In the absence of any explicit legal power to do so, the Police and Crime Commissioner will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.
- 7.3. **Markets in Financial Instruments Directive:** The Police and Crime Commissioner has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Police and Crime Commissioner’s treasury management activities, the Chief Finance Officer believes this to be the most appropriate status.
- 7.4. **Government Guidance:** Further matters required by the WG Guidance are included in Appendix C.2.

## 8. Financial Implications

- 8.1. The budget for investment income in 2023/24 is £1 million (£0.15 million permanent budget, and £0.85 million temporary budget increase due to higher projected interest rates). The budget for debt interest paid in 2023/24 is £0.10 million, based on committed fixed rate long term loans and an estimate to cover potential short-term borrowing. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

## 9. Other Options Considered

- 9.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Finance Officer, having consulted the Joint Audit Committee, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

**Arlingclose Economic & Interest Rate Forecast – December 2022****Underlying assumptions:**

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

**Forecast:**

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
<b>Official Bank Rate</b>													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>10yr gilt yield</b>													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>20yr gilt yield</b>													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>50yr gilt yield</b>													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%  
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%  
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

**Additional requirements of Welsh Government Investment Guidance**

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Police and Crime Commissioner's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

**Contribution:** The Police and Crime Commissioner's investments contribute to its service delivery objectives and supports effective treasury management activities.

**Climate change:** The Police and Crime Commissioner's investment decisions consider long-term climate risks to support a low carbon economy.

**Specified investments:** The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local Police and Crime Commissioner,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local Police and Crime Commissioner, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Police and Crime Commissioner defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

**Loans:** The WG Guidance defines a loan as a written or oral agreement where the Police and Crime Commissioner temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local Police and Crime Commissioner.

The Police and Crime Commissioner uses an allowed 'expected credit loss' model for loans and receivables as set out in *International Financial Reporting Standard 9 Financial Instruments* as adopted by proper practices to measure the credit risk of its loan portfolio. Appropriate consideration is given to state aid rules and competition law. The Police and Crime Commissioner has appropriate credit control arrangements to recover overdue repayments in place.

**Non-specified investments:** Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. The Police and Crime Commissioner confirms that it doesn't currently have any non-specified investments

**Non-financial investments:** This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. The Police and Crime Commissioner does not hold any non-financial investments.

**Investment advisers:** The Police and Crime Commissioner has appointed Arlingclose Limited as treasury management advisers. The quality of these services is managed by regular strategy meetings, review of data provided and professional judgement.

**Borrowing in advance of need:** Welsh Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

**Capacity and skills:** The Police and Crime Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Training is provided to all staff involved in making capital expenditure, borrowing and investment decisions.

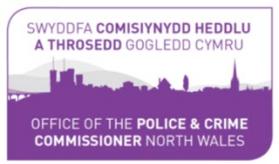
**Corporate governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and staff, who must act in line with the treasury management strategy approved by the Police and Crime Commissioner and Joint Audit Committee (JAC). End of year and half yearly reports on treasury management activity are presented to SEB and JAC. The JAC is responsible for scrutinising treasury management decisions.

**Joint Audit Committee**

**Meeting Date: 28 March 2023**

<b>Title:</b>	Joint Governance Board
<b>Author:</b>	Kate Jackson, Chief Finance Officer, Office of the Police and Crime Commissioner
<b>Purpose of the report:</b>	Update
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> X Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• The member of JAC was in attendance at the meeting held on 1 March 2023.</li> <li>• The board were updated on:             <ul style="list-style-type: none"> <li>○ Process for the annual review of the Manual of Governance</li> <li>○ Process for the review of the Governance Structure</li> <li>○ Annual Governance Statement 2022/23</li> <li>○ Progress on the Action Plan from the 2021/22 Annual Governance Statement</li> <li>○ Self assessment and progress against the Financial Management Code</li> <li>○ Governance of the Joint Audit Committee action plan</li> <li>○ Review of audit recommendations</li> <li>○ Assurance Update</li> <li>○ Update following the publication of HMICFRS PEEL report</li> </ul> </li> </ul>
<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>• For members of the Joint Audit Committee to note the work of the Joint Governance Board.</li> <li>• For members of the Joint Audit Committee to be aware that they have a standing invitation to attend Joint Governance Board, and that meeting papers and minutes will be provided to them on request.</li> </ul>
<b>Risk register impact:</b>	The way risk is managed is integral to good governance and is considered within the Governance Framework
<b>Assurance implications:</b>	<p>The Joint Governance Board is to oversee changes to assurance arrangements following the Governance Review undertaken in 2019/20. These arrangements may change as a result of the forthcoming review.</p> <p>The Joint Governance Board is to oversee any future changes to the Manual of Governance.</p>
<b>Equality Impact:</b>	None

Information exempt from disclosure:	None
-------------------------------------	------



## JOINT AUDIT COMMITTEE

28 March 2023

Joint Governance Board

Report by the Chief Finance Officer



### 1. Background

- 1.1. A Joint Governance Board was originally formed in 2014 to document the governance arrangements in both the Office of the Police and Crime Commissioner and North Wales Police Force.
- 1.2. The Board meets four times each year, and a work programme has been prepared.
- 1.3. Members of the Joint Audit Committee have a standing invitation to attend the meeting; a member of the committee attended on 1 March 2023 and contributed at the meeting.

### 2. Recommendations

- 2.1. For members of the Joint Audit Committee to note the work of the Joint Governance Board.
- 2.2. For members of the Joint Audit Committee to be aware that they have a standing invitation to attend Joint Governance Board, and that meeting papers and minutes will be provided to them on request. Meetings are held online via Microsoft Teams and future meeting dates are:
  - Wednesday 28<sup>th</sup> June 2023 at 10am
  - Wednesday 6<sup>th</sup> September 2023 at 10am
  - Wednesday 15<sup>th</sup> November 2023 at 10am

### 3. Work of the Joint Governance Board

- 3.1. At the meeting held on 1 March 2023, the following were discussed:

#### 3.1.1. Instigate review of the Manual of Governance

The Manual of Governance comprises four documents which outline the overarching rules of business for the OPCC and Force. These are reviewed annually. It was noted that the Chief Constable was appointed after the Current Manual of Governance was ratified, and may have a view on them. Members of Joint Governance Board will provide feedback and suggestions to the Chief Finance Officer.

The existing Manual of Governance will remain effective until any new version is implemented.

### 3.1.2 Instigate review of Governance Structure

A major review of the Governance Structure took place in 2019, and since then there is a new Police and Crime Commissioner and Police and Crime Plan.

A draft Terms of Reference for the review was presented to the meeting, to which the Chief Executive provided feedback.

Consideration will be given to reducing the complexity of the Governance Structure, without compromising its effectiveness.

### 3.1.3 Updates for the 2022/23 Annual Governance Statement

An Annual Governance Statement is published annually alongside the statements of accounts, to identify what governance arrangements are in place, and an assessment of their effectiveness. Board members were presented with the 2021/22 Annual Governance Statement for reference, and have been asked to provide feedback or information for inclusion in the 2022/23 version.

It will also include an action plan arising from the 2022/23 Annual Governance Statement, and updates on the actions identified in the 2021/22 Annual Governance Statement.

### 3.1.4 Annual Governance Statement Action Plan

The Director of Finance and Resources informed the Board that a working groups has been established to provide oversight of the action plan. He also provided information on progress of the actions within the action plan.

### 3.1.5 Self-Assessment against Financial Management Code

The Head of Finance confirmed that the OPCC and Force are compliant with the Financial Management Code which was introduced in October 2019, and that this can be evidenced should there be an independent review.

There are areas which can be developed further, and these will be included within the Annual Governance Statement and Action plan, and progress will be monitored.

### 3.1.6 Governance of Joint Audit Committee Action Plan

Joint Audit Committee undertakes an annual evaluation, and this has resulted in the development of an action plan.

The Business Services Staff Office will oversee the practicalities of progressing actions, and in future Joint Governance Board will receive updates. These will also be reported to Joint Audit Committee during closed sessions.

### 3.1.7 Audit Recommendations

Board Members were advised on audits which have been finalised, and progress towards implementing auditors' recommendations from these and previous audits.

### 3.1.8 Assurance update

The Corporate Governance and Policy Lead presented a paper, and provided further updates since the report had been submitted, including from Assurance Board which had met the previous day.

### 3.1.9 HMICFRS Update

The Corporate Services Chief Superintendent presented highlights from the HMICFRS PEEL report, particularly in regard to strategic planning, operational management and value for money.

3.2 Members of the Joint Audit Committee will be able to access papers, including minutes and actions from the most recent meeting, via the G-drive. The next meeting will take place on 28 June 2023.

## 4. IMPLICATIONS

4.1	Equality	The Police and Crime Commissioner and Chief Constable operate with regard to the principles established within the Joint Equality Plan.
4.2	Financial	The way finances are managed is integral to good governance. The financial policies and the monitoring of financial systems and performance are considered within the Governance Framework.
4.3	Legal	It is a legal requirement to publish Annual Governance Statements for the Police and Crime Commissioner and Chief Constable alongside the Statements of Accounts each year. One purpose of the Joint Governance Board is to record the governance activities

		for both corporations sole (and ensure any concerns are addressed) in order that the Annual Governance Statements can be prepared accurately and in a timely manner.
4.4	Community and Social Value	Environmental policies, outcomes and engagement (and the monitoring of these) are considered within the Governance Framework. This includes the Wellbeing of Future Generations (Wales) Act 2017.
4.5	Risk	The way risk is managed is integral to good governance and is considered within the Governance Framework.
4.6	Police and Crime Plan	The objectives within the Police and Crime Plan are fundamental to both corporations sole. The way this is monitored is considered within the Governance Framework.

**Report Author**

Kate Jackson

Chief Finance Officer

Office of the Police and Crime Commissioner

# Joint Audit Committee Risk Deep Dive

## Statement of Purpose

This document is to be completed by the Risk Lead in relation to a risk recorded on the Force Risk Register which is subject of a Joint Audit Committee 'deep dive', providing evidence and assurance that the risk is understood and being managed successfully with strategic oversight.

### 1. Risk Description and URN

URN 29

**There is a risk that** potential applicants, both external and internal are not being attracted to apply for specialist key roles advertised by North Wales Police **caused by** a perennial problem where the salaries advertised are less than market value compared to other employment sectors, the geographical location of our organisation, and a lack of local skills capability **which may result in** the Force being unable to fill key specialist roles to help deliver our Force Objectives.

### 2. Risk Lead and SMT Owner

Risk Lead – Jenny Parry (Head of POD)  
SMT Owner – Corporate Services

### 3. Risk Identified

The risk was raised as part of the 22/23 Business Planning process when the Force was starting to get overall insight into the resourcing impact of its plans

### 4. Risk Scoring Levels

Please provide details of how the 'Before Controls Level', 'Present Risk Level' and 'Target Risk Levels' were determined. (\*refer to risk scoring matrix)

	<b>Impact</b>	<b>Probability</b>	<b>Overall Risk Level</b>
<b>Before controls</b>	Critical	High	Critical
<b>Present with controls</b>	High	High	High
<b>Target</b>	Medium	Medium	Medium

#### BEFORE CONTROLS LEVEL

**Score Matrix Impact: Critical Score 5** - May cause key objectives to fail. Very significant impact on organisational goals. A major effect on the organisation/communities.

**Score Matrix Probability: High Score 4** - Will probably occur, measures may or may not exist to reduce likelihood.

**OVERALL BEFORE CONTROLS SCORE LEVEL: CRITICAL** - Record Force Risk Register. Report to SMT and relevant Force Committee.

**PRESENT RISK LEVEL WITH CONTROLS**

**Score Matrix Impact: High Score 4** - Risk factor may lead to significant delays or non-achievement of objectives. An event which has a high impact on the organisation and / or a serious effect on a Service Areas or Department

**Score Matrix Probability: High Score 4** - Will probably occur, measures may or may not exist to reduce likelihood.

**OVERALL PRESENT RISK SCORE LEVEL: HIGH**

**TARGET RISK LEVEL**

**Score Matrix Impact: Medium Score 3** - Moderate effect. Risk factor may lead to delays or increase in cost. An event that has an overall medium effect on the organisation or the outcome of which significantly affects a unit or section.

**Score Matrix Probability: Medium Score 3** - Could occur, this is possible. Measures to reduce likelihood exist but may not be fully effective.

**OVERALL TARGET SCORE LEVEL: MEDIUM**

**5. Force Risk Appetite**

Which Force risk appetite categories are relevant to this risk?

Risk Category	Risk Area	Risk Level
People	Resource Levels and Management - We will actively monitor and manage resource levels in front line roles to ensure desirable staffing levels are maintained for the safety of the public and staff.	Cautious

**6. Governance**

This risk reports into the following:

Strategic People Board – Chaired by the DCC

Strategic Resourcing Group – monthly meeting chaired by the DCC and attended by DFR and Service Leads amongst others. There is a standard update on the Hard To Fill roles. Any decisions which can't be made through any of the other meetings would be bought to this meeting

Corporate Services SMT – a monthly meeting where there is general oversight & updates

Fortnightly Hard To Fill Meeting - this is Chaired by the Head of POD and attended by Heads of Department and HRTSO's who have roles on the list. This is also attended by UNISON and Adecco. The purpose of this meeting is to work through actions plans, make any decisions required and monitor progress of the hard to fill roles.

Weekly People Management Panel – this is Chaired by the Head of POD with the Head of HR, Head of Shared Services and UNISON in attendance. This meeting is used to sign off any quick time decisions between Hard to Fill meetings or discuss any complex issues which have come out of the Fortnightly Hard To Fill Meeting

**7. Present Risk Level**

Present risk level is High

## **8. Mitigations**

Hard To Fill Meeting to formally manage the roles. The Head of Department and the HRTSO are invited to the fortnightly meeting where the role is discussed and we look to gain understanding as to why the role is hard to fill and what the barriers are

The purpose of the group is to do all that they can to remove the barriers and to work with UNISON on that where we may look to operate outside policy or precedent or make decisions which could impact other roles within the organisation. Some examples would be:

- Putting market supplements on roles
- Putting roles straight to Agency
- Reviewing/amending post profiles
- Offering relocation/travel expenses
- Amending traditional interview processes

HRTSO's have been asked to consider how they can fill vacancies within their teams through succession planning. Any proposals are brought to People Management Panel to be signed off/approved.

Examples would be:

- FCC Agency Temp To Perm – we have relooked at the criteria to make it easier for people to become permanent
- Justice Services Leadership Team – the deputy was appointed on a temporary basis following their interview for a different role
- EOI's were used within the CSI team to fill a number of gaps following a restructure

The new Workforce Planning Manager has completed an external Workforce Planning accreditation so they have SME knowledge to start to introduce it across the Force

We now look at and review the following data/reports on a regular basis:

- People Management Panel has a spreadsheet where all vacancies are approved along with any requests for succession planning activity/action against hard to fill roles
- We now have access to a live spreadsheet which details all of the staff vacancies and where they are up to in the recruitment process
- We have a weekly meeting looking at vetting status of applications so we can prioritise which roles are vetted
- The All Wales Recruitment System Manager produces quarterly data which show us recruitment trends
- We are reporting on the Hard To Fill numbers and the Growth Posts at the SRG each month

## **9. Risk Ongoing Progress**

The following work will be taking place to reduce the risk level to medium:

The new Workforce Planning Manager is going to complete a succession planning exercise for Staff roles which will identify critical future gaps which we will then have an action plan in place to fill

Introduction of a Recruitment Manager who will be able to provide ongoing specialist support to the Force for recruiting Hard To Fill Roles

We will continue to focus on a recruitment dashboard which provides more insight into recruitment trends allowing us to make earlier interventions on the Hard to Fill roles

Given the current recruitment climate, cost of living challenges etc it is likely that managing this risk will become a BAU challenge into the next financial year

## **10. Concerns**

There are no immediate concerns in managing this risk – we have seen that through this approach we have been able to recruit to the majority of the roles that have come through the Hard To Fill meeting

Longer term we need to ensure that we have the right resource to manage this on a business as usual approach

DRAFT