



**OFFICE OF THE NORTHAMPTONSHIRE POLICE, FIRE AND CRIME
COMMISSIONER
&
NORTHAMPTONSHIRE POLICE
&
NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY**

JOINT INDEPENDENT AUDIT COMMITTEE

14th December 2022 10.00am to 1.00pm

Microsoft Teams virtual meeting

If you should have any queries in respect of this agenda, or would like to join the meeting please contact Kate Osborne 03000 111 222

Kate.Osborne@northantspfcc.gov.uk

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

Further details regarding the process for asking questions or making an address to the Committee are set out at the end of this agenda notice

* * * * *

Public Meeting of the Joint Independent Audit Committee				Time
1	Welcome and Apologies for non- attendance			10:00
2	Declarations of Interests			10:05
3 (pg5)	Meetings and Action log 5 th October 2022	AB	Reports	10:10
4a (pg 11)	Internal Auditor Progress Reports PFCC & CC	Mazars	Reports	10:15
4b (pg 22)	NCFRA	JF		
5 (pg 30)	NCFRA - Audit recommendations implementation update	JO	Report	10.30
6a	External Audit update PFCC & CC	EY	Verbal	10:45
6b (pg 47)	NCFRA		Report	
7 (pg 89)	Police - Anti Fraud Corruption Update on Controls and Processes	VA	Report	11:00
8 (pg 104)	NCFRA – HMIC update	RP/JO	Report	11:15
9	Feedback from the accounts workshop Police Fire	AB	Verbal	11:30
10 (pg 110)	Agenda Plan	HK	Report	11:45
11	AOB	Chair	Verbal	11:55
12	Confidential items – any	Chair	Verbal	12:00
	Resolution to exclude the public	Chair	Verbal	12:00
	<p>Items for which the public be excluded from the meeting:</p> <p>In respect of the following items the Chair may move the resolution set out below on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them:</p> <p><i>“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.</i></p>			
13 (pg 113)	Police Risk Register	SB/ MR	Report	12:05
14	<p>Future Meetings held in public:</p> <ul style="list-style-type: none"> - 15th March 2023 - 19th July 2023 			12.20

	<ul style="list-style-type: none"> - Dates TBC <p>Future Workshops not held in public:</p> <ul style="list-style-type: none"> - February 2023 TBC 			
--	---	--	--	--

Further details regarding the process for asking questions or making an address to the Committee

i. General

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

ii. Notice of questions and addresses

A question may only be asked or an address given if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than noon two working days before the meeting.

Notice of questions or an address to the Committee should be sent to:

Kate Osborne
Office of the Police, Fire and Crime Commissioner
Darby House, Darby Close, Park Farm Industrial Estate,
Wellingborough. NN8 6GS

or by email to:

kate.osborne@northantspfcc.gov.uk

Each notice of a question must give the name and address of the questioner and must name the person to whom it is to be put, and the nature of the question to be asked. Each notice of an address must give the name and address of the persons who will address the meeting and the purpose of the address.

iii. Scope of questions and addresses

The Chair of the Committee may reject a question or address if it:

- Is not about a matter for which the Committee has a responsibility or which affects Northamptonshire;
- is defamatory, frivolous, offensive or vexatious;
- is substantially the same as a question which has been put or an address made by some other person at the same meeting of the Committee or at another meeting of the Committee in the past six months; or
- requires the disclosure of confidential or exempt information.

iv. Asking the question or making the address at the meeting

The Chair of the Committee will invite the questioner to put the question to the person named in the notice. Alternatively, the Chair of the Committee will invite an address to the Committee for a period not exceeding three minutes. Every question must be put and answered without discussion but the person to whom the question has been put may decline to answer it or deal with it by a written answer. Every address must be made without discussion.

v. The Chair and Members of the Committee are:

Mrs A Battom (Chair of the Committee)

Mr J Holman

Mrs E Watson

Ms A Bruce

1 vacancy for JIAC member

* * * * *

Agenda Item : 3

Joint Independent Audit Committee (JIAC) ACTION LOG –5th October 2022

Attendees: Members: Ann Battom (AB), John Holman (JH), Edith Watson (EW), Alicia Bruce (ABR)

Helen King – Chief Finance Officer OPFCC and NCFRA (HK), Kate Osborne – Project Support Officer OPFCC (KO), Vaughan Ashcroft – Chief Finance Officer (Police and Enabling Services) (VA), Paul Bullen (Assistant Chief Officer enabling services) (PB); Megan Roberts (Strategic Development, Risk & Business Continuity Advisor - Police) (MR); Paul Fell – Director of Delivery OPFCC (PF);

Julie Kriek – External Audit EY (JK); Mark Lunn – Internal Audit (Police) Mazars (ML); Jacinta Fru – internal Audit (Fire) - MK (JF),

Agenda	Issue	Actions	Comments/ actions
1	Welcome and apologies		<p>Meeting with Auditors and members took place 10-10:10 – all JIAC members (AB, JH, EW, ABr) were present. Auditors present were: JF, JK, ML</p> <p>Nicci Marzec – Director for Early Intervention Monitoring officer OPFCC (NM), Robin Porter (RP); Mick Stamper (MS); Simon Blatchly – Deputy Chief Constable (SB); Julie Oliver NCFRA Officer (JO); Elizabeth Jackson - EY (EJ); Nick Alexander joint head of finance police and fire (NA);</p>
2	Declarations of Interests		None
3	Meeting Log and Actions – 27 th July 2022	1. Add job titles or company name to people at top of minutes . KO ACTION	<p>Comments from this morning – HK – notes circulate don't include comments. KO to re-circulate after meeting</p> <ol style="list-style-type: none"> 1. Action HK – circulate procurement updates – AMENDMENT – HK to update verbally IF any updates. COMPLETE 2. AB - Presented JIAC report at Police, Fire and Crime Panel (September). Report well received. COMPLETE 3. Reserves strategy link sent. COMPLETE 4. Circulate press release to HMICFRS to JIAC members. COMPLETE 5. Members to request HMICFRS update at December meeting if required. – yes ADD to agenda plan for December. COMPLETE

			6. Add job titles or company name to people at top of minutes . KO ACTION - COMPLETE
4	Internal Auditor Progress Reports PCC & CC NCFRA		<ol style="list-style-type: none"> 1. Pleasing that there are two final reports included 2. Really pleasing to see collaboration audits this early in the year. 3. Ongoing and upcoming – core financial starting over next couple of weeks and risk management and information management audit being booked in 4. Collaboration – field work – 6 in total – 3 finalised and other work is underway. 5. RUI audit – A3 report (p20) – was some fundamental recommendations raised in initial audit. Focused tracking recommendations followed. There has been some improvement but would like further improvement in this area. Hence limited assurance. 6. JH – 1 – benchmarking available with other forces? – PB to follow up with corporate development for information 7. AB – response for recommendation “numbers reduced but risk is not critical” – then why is it priority 1? – 8. PB – trying to fix culture but also looking at culture. MR – complex cases can take up to 18 months so RUI are affected by this. further training being offered due to changes in pre-bail and charge act which is coming out end of month. 9. ABr – are there particular KPIs around behaviour around how cases are driven through the system? Is there further breakdowns that could be done to negate those who are longer term RUI due to big cases taking longer? MR – looking at flagging system by Andy Rogers – but there is no flag in system it is a manual process. 10. EW – what drives a decision to RUI, is it being used as a tool to allow delays due to resources? PB – largely to do with complexity and thresholds to charge. 11. ABr – what’s the longest amount someone can be RUI? – PB – no deadline it could be indefinite. 12. JH – in the action plan – include something about ‘culture’ in action plan – PB and MR to feed this back to Andy at team and training will be next step. ML – priority 3 recommendations look at these too 13. ML – complaints management – Timescales – 30th September – has this happened? – MR – pleased to report this has been met. 14. P 24 – JH – missing complaint – how is that possible? There is reconciliation plans in place to ensure this doesn’t get repeated. MR covers this in report 15. Collaboration audit reports – EMSLDH – governance review taken place.

			<ol style="list-style-type: none"> 16. Business continuity – 19/20 plan – there was a number of fundamental recommendations – significant recommendation – but satisfactory – clear improvements have been made. Testing schedules in place – this is within the plans going forwards. 17. EMSU risk management audit – tightening up risk management policy required 18. progress report in 3 parts – 1. Progress update 2. Counter fraud 3. Assessment of internal audit 19. behind on work – there has been significant annual leave implications however plans to progress 4 areas of audit. And financials are issued on a quarterly basis – Q1 complete. 20. pg 40 – plans for quick progression of audit. hopeful to improve this over the next few months. 21. 49/56 practise standards are at compliant level 22. AB – new chief fire officer and HMICFRS report (and associated action plan) – impact on timescale and plan? – HK – new CFO once in role and DD has left this may impact action plan regarding new CFO priorities. 23. AB – issue with CPD and proficiency – concerns? – JF – established and qualified team. Those qualified by experience, but the benchmarks are high in regards to required competencies. 24. JH – concerns around CPD and attitudes – can we make it a future requirement to avoid these issues in future to ensure qualifications and training are met? 25. JH – if attitude is wrong at moment – is someone managing CPD to ensure these changes and CPD are happening and are effective? 26. HK – huge thank you it's clear and transparent on how audit service has been assessed. Contract ends in March 2023 27. HK – offer on the plan – finance team – can JF, VA and HK to meet to discuss the plan and make it achievable within the teams timelines and advance planning
5	Audit Recommendations – implementation update PFCC and CC	ACTION – MR to check number of recommendations (see point 12)	<ol style="list-style-type: none"> 1. Report structure has changed slightly due to recommendations through force assurance board. Closed audits are now removed from report to avoid lengthy report submission 2. Fleet management – closed and happy with new system. All recommendations agreed and completed. 3. GDPR follow up – ICO action plan – good progress made – 2 risks on CRR in relation – these are now closed. No longer see backlogs –performing really well in comparison to other forces. Outstanding – records management. 4. Workforce planning – only action 4.2 – succession planning – marked as complete 5. Governance – 4.2 – decision record – ongoing 6. Data management – all actions completed 7. Business change – key area – good work made in relation to audit – due May 2022 – overdue. Final part of recommendations is to recruit – recruitment has been difficult

			<p>8. IT security – ongoing – HO have extended contracts for another 6 months but understand reasons behind delays – hence extension</p> <p>9. H&S – 4.3 accident reporting system – D&T service requests pending – Dec 2022 deadline</p> <p>10. RUI – covered</p> <p>11. Complaints management – covered in earlier JIAC – this has since been completed and monthly reviews are in place between complaints team and PSD.</p> <p>12. AB – report lots easier. Good progress with 9 ongoing/ overdue. 2022/23 – 4 recommendations of those 9? 3.3 at the beginning – is it just 4 recommendations? (pg89) – MR to check.</p> <p>13. AB – the best JIAC have seen in quite a while – thanks and congratulations given</p> <p>14. AB – recruitment concerns – do we have a plan B? PB – looking at alternatives including specialist agencies to source staff. And also change how we do recruitment.</p>
6a	External Audit Update 2020/21 and 2021/22 PFCC & CC		<p>1. Remaining issue on police – real estates report due to asset out of the range. Liz is looking at this currently.</p> <p>2. Work plan for Usman Khan to support work.</p> <p>3. AB – do we have timeframe – JK – not that I’m aware of – will follow up with Liz</p> <p>4. HK – delays due to personnel handover which VA and HK are aware of and a date is being scheduled for this to provide finalisation.</p> <p>5. AB – disappointing delays regarding real estate valuations which have been ongoing.</p> <p>6. Dates in the diary for audit – 1 big visit – planning to year end – into December</p> <p>7. HK – reassure members for accounts workshop for 1st November fits within audit.</p>
6b	NCFRA		
7	NFRS Fraud and Corruption: Controls and Processes		<p>1. Annual report</p> <p>2. AB – under 2.5 p130 – are these themes in any priority? – no they are just the 5 themes from National Code of Ethics</p> <p>3. AB – exercises due end of October – 4.6 – is that on track? – this was in JF overview – reviewing in forthcoming weeks – HK believes on schedule.</p> <p>4. AB – 5.1 – do these correlate to police? – are these similar/ same? – PB – depends – some are similar/ same, some are inherited/ tweaked, some are similar/ slightly different – largely speaking there are a similar suite of policies in police</p> <p>5. AB 8.224 – has the action plan been published? – PB yes it is on website.</p> <p>6. AB – presume new chief fire officer will buy into plan? PB – would welcome his view and build on it as new in his role.</p>

8	<p>2023/34 Budget Plan and MTFP Process and plan update and Timetable</p> <p>PFCC and CC and NCFRA</p>		<ol style="list-style-type: none"> 1. This is our annual paper. A few changes have been made for this year. 2. Main differences would be the considerations relating to economy and national picture 3. This is the start of the process to start budgets and gather evidence to establish budgets for next financial year. Test any growth or changes against the plans within all organisations as part of governance process and then build in any savings or efficiencies identified. 4. We always test against what we thought would be the case – to test assumptions and test anything that should have impacted figures to ensure we are robust. 5. Variations are discussed and ensure all officers are sighted 6. Take into account any statutory changes and revise assumptions based on national picture. 7. Previously - Outcome based budgeting exercise – reasonably successful but benefits not outweigh amount of work taken. NOW Budget holders asked to feed in their assessment of their budgets to a panel, and then learning patterns are identified. 8. Budget holders – if we have to make 10% cash savings – how would they do it – this might not be necessary but to involve budget holders in saving and potential difficult decisions. This is fed into a report presented to chief officers, any high risks are kept in to ensure ready for any evidentiality. 9. ABr – engagement of budget holders to identify 10% savings – real challenge. Interested in engagement around that? – VA – depends on the budget holder – some mixed responses some very defensive. 10. JH – is the stuff being raised being acceptable? Is it real and can it be taken or farfetched? – PB there's a mixture or realistic vs. playing the game. But there are some tangible ones (income generate etc.) 11. EW – where do you see being able to continue to gain traction? – 12. ABr – mixed abilities around budgeting – is this the case here? VA – mixed but largely on the hole are pretty good. There's lots of engagement and upwards training. VA team assist budget holders in this to ensure staff specialities are used to the advantage (not expect a non-accountant to do accountant work in relation to budget) 13. AB – key is the robust conversations
9	Agenda Plan		<ol style="list-style-type: none"> 1. AB – clarify – <p>1st November Fire Workshop</p> <p>29th November – afternoon Police Workshop</p>
10	AOB		<ol style="list-style-type: none"> 1.

11	Confidential items – any		
12	OPFCC Risk Register		<ol style="list-style-type: none"> 1. Brief report presented highlighting the current position in relation to risk register in relation to OPFCC 2. Outline risks but not mitigating services 3. Since the move to 4risk – better, newer, more intuitive but still not perfect. More improvements to be made and a software update expected. 4. 6 risks recorded. Reduction in one since last report 5. 2 new risks and 3 risks removed. 6. Overall reduction in risk since last report 7. EW – some of the airwave risk is relating to HO procurement. Update early 2026 is the earliest anticipated date at currently.
13	Enabling Services Update		<ol style="list-style-type: none"> 1. Paragraph 3 – new Estates and Facilities/ Commercial – move into one – new manager will be looking at department as a whole 2. Estates and facilities business case has delivered. Estates strategy review forthcoming. Notable savings identified in report. 3. HR – head of Dept. leaving at Christmas 4. Payroll performance since live 99% accurate which is marvellous. 5. Good to see teams are moving together through the enabling services work. 6. EW – pace of change is impressive.
14	Future Meetings		

Agenda Item 4a

Police, Fire & Crime Commissioner for
Northamptonshire & Northamptonshire
Police

Internal Audit Progress Report

Presented to JIAC: 14th December 2022

mazars

Contents

01 Summary	3
02 Current progress	4
03 Performance	4
A1 Plan overview	6
A2 Reporting Definitions	7
A3 Summary of Reports	8
A4 Statement of Responsibility	9
Contacts	11

Disclaimer

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

The Report was prepared solely for the use and benefit the Northamptonshire Police and the Officer of the Police, Fire and Crime Commissioner (OPFCC) for Northamptonshire and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A4 of this report for further information about responsibilities, limitations and confidentiality.

01 Summary

The purpose of this report is to update the Joint Independent Audit Committee (JIAC) as to the progress in respect of the Operational Plan for 31st March 2023, which was considered and approved by the JIAC at its meeting on 9th March 2022.

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

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

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

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

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

02 Current progress

2022/2023

The delivery of the agreed 2022/23 Internal Audit Plan is progressing well and we are pleased to inform the committee that the draft reports in regard to two of the three remaining Collaboration Audits - EMSOT Closedown and Performance Management have been issued. See Appendix A3 for full details. Moreover, the fieldwork for Digital Currency has some minor outstanding information that we need to conclude and issue the draft report.

As noted in our last update to the committee we commenced the Core Financials Audit across October and November as well as completing two further requested pieces of work around Balance Transfer and MFSS Follow Up to provide further assurance in this area. At the time of writing these audits were progressing through quality review with the intention the draft reports will be issued before the end of the calendar year.

The Risk Management, Information Management and Data Quality Audits are also agreed and taking place across November and December.

The remaining audits in the plan of Medium Term Financial Planning, Reasonable Adjustments, Estates Management and Firearms Licensing are scheduled to take place across January and early February and thus we remain on track to complete the 22/23 IA Plan and the additional work requested, in good time before the end of the financial year.

Per the last update to the committee the agreed 2022/23 Collaboration Audit Plan is progressing well with three final reports issued, two draft reports used and just some minor outstanding information to be in a position to issue the Digital Currency audit. See Appendix 4 for full details.

03 Performance

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

2022/23

Number	Indicator	Criteria	Performance
1	Annual report provided to the JIAC	As agreed with the Client Officer	July 22
2	Annual Operational and Strategic Plans to the JIAC	As agreed with the Client Officer	Achieved (Mar 22)
3	Progress report to the JIAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	50% (3/6)
5	Issue of final report	Within 5 working days of agreement of responses.	83% (5/6)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	Achieved
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (8/8)
9	Customer satisfaction (measured by survey) Very Good, Good, Satisfactory, Poor, Very Poor	85% average satisfactory or above	100% (1/1) Very Good

A1 Plan overview

2022/2023

Audit area	Proposed Dates	Draft Report Date	Final Report Date	Target JIAC	Comments
MINT	Q1	May 22	May 22	July 22	Final Report Issued
RUI Follow Up	Q2	Jun 22	Sept 22	Oct 22	Final Report Issued
Complaints Management	Q2	Jul 22	Aug 22	Oct 22	Final Report Issued
Core Financials	Q3			Mar 23	Scheduled in Oct 22
Positive Action	Q3			Mar 23	Scheduled in Oct 22
Information Management (automated decision making)	Q4			Mar 23	
Risk Management	Q4			Mar 23	
Data Quality	Q3			Mar 23	
Estates Management	Q4				
MTFP	Q4				
Reasonable Adjustment	Q4				
Firearms Licensing	Q4				
IT Disaster Recovery	Q3				Scheduled in Dec 22

A2 Reporting Definitions

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

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

A3 Summary of Reports

Below we provide brief outlines of the work carried out, a summary of our key findings raised, and the assurance opinions given in respect of the final reports issued since the last progress report in respect of the 2022/2023 plan.

No Final Reports issued since update to committee in October 22.

A4 Collaboration Audit Plan 2022/23

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

A5 Statement of Responsibility

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

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

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

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

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299.

Contacts

David Hoose

Partner, Mazars

david.hoose@mazars.co.uk

Mark Lunn

Internal Audit Manager, Mazars

mark.lunn@mazars.co.uk

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

*where permitted under applicable country laws.

www.mazars.co.uk

The logo for Mazars, featuring the word "mazars" in a bold, lowercase, blue sans-serif font.



Agenda Item No: 4b

Internal Audit and Counter-Fraud Progress Update

JACINTA FRU, CHIEF INTERNAL AUDITOR

14 December 2022



1 INTRODUCTION

- 1.1 This progress report provides stakeholders, including the Joint Internal Audit Committee, with a summary of the Fire Authority Internal Audit activity for the period 16 September 2022 – 30 November 2022.
- 1.2 **Annex A** (page 5) provides the background and context for how Governance is tested and evaluated.
- 1.3 The report summarises work done on evaluating the robustness of systems of control and governance in place during the current year. This report covers progress made on audits within the new plan year that have been started as well as some audits brought forward from the previous financial year.

2 PROGRESS AGAINST 2022/23 AUDIT PLAN

- 2.1 The key target for the Internal Audit Service is to complete the agreed Plan by the 31st March 2023. **Annex B** (page 8) shows progress made against the audit Plan 2022/23 including audits brought forward from the previous year. As at 30 November, 81% of the Plan was in progress or had been completed to draft/final stage.
- 2.2 There has been marked progress on delivery of planned audits during Q3, although there are still some areas of audit where NCFRA staff are having to balance several priorities and so some unavoidable delays.
- 2.3 Plan Performance as at 30 November 2022:

NCFRA AUDIT PLAN 2022-23	Number of Audits			
	Plan	Draft/Final Report	In Progress	Not Started
Strategic Reviews	3	1	1	1
Operational Reviews	3	0	1	2
Key Financial Reviews	4	0	4	0
ICT	2	0	2	0
Risk Management review	1	0	1	0
2021-22 Brought Forward Audits	3	3	0	0
TOTAL Audits	16	4	9	3
	100%	25%	56%	19%



Assurance ratings are given for both the adequacy of the System and compliance with the System of Controls. The definitions are detailed in Annex A and Annex B highlights the assurance levels for the reports completed and issued to management.

2.4 Since the last Committee meeting, one report has been finalised where the opinion for system design or compliance with procedures is a limited assurance opinion. The opinion on compliance was limited for the review of Safeguarding Policy and procedures. The key findings leading to this opinion were:

- 2.4.1 Recruitment Policies had not been updated to include clear safer recruitment requirements.
- 2.4.2 There was no centralised system in place to ensure that DBS check records were held for all posts that require a DBS check, the current system placed responsibility with line managers.
- 2.4.3 Disclosure Risk Assessment Records (where a check has highlighted an issue) had not been properly completed, to show HR Advice obtained and Management Authorisation, prior to an applicant starting in post.
- 2.4.4 Copies of requests to start employment before DBS clearance has been provided by the HR Business Partner had not been approved by the Chief Fire Officer/ Assistant Chief Fire Officer.

2.5 The table below provides a precis of the objectives of the audits to be undertaken and the associated key risks.

Audit Area	Objectives and Risk
<p>STRATEGIC</p> <ul style="list-style-type: none"> • Corporate Governance Framework -Nolan Principles • Key Policies and Procedures – Safeguarding end to end review of policies and compliance. • Target Operating Model - Performance Monitoring Framework 	<p>Objective(s) To test and provide assurance on the strategic governance arrangements, that they clearly and formally record NCFRA organisational management</p> <p>Risks(s) Reputational Risks</p>
<p>OPERATIONAL SERVICES</p> <ul style="list-style-type: none"> • Project Management Governance (key projects to be confirmed) • People & Culture Strategy Implementation: 	<p>Objective(s) To test and provide assurance for those key priority areas of operational performance / improvement.</p> <p>Risk(s) organisational objectives not achieved</p>



Audit Area	Objectives and Risk
<ul style="list-style-type: none"> Contract Management – review of monitoring of adequacy of supplier H&S arrangements. 	
<p>KEY FINANCIAL SYSTEMS</p> <ul style="list-style-type: none"> Accounting systems (AP/AR) Payroll Budget Management Financial Control Environment (G/L; Bank rec; TM; VAT; Pensions) Including new arrangements with the Police force. 	<p>Objective To provide assurance on the effectiveness of financial management procedures and arrangements to ensure the integrity of the financial statements.</p> <p>Risk Financial and Fraud risks</p>
<p>RISK MANAGEMENT</p> <p>Attendance at Strategic Risk Register Quarterly meetings. Provision of Risk workshops as requested</p>	<p>Review and testing of implementation of actions noted.</p>
<p>ICT Systems Security – Cybersecurity arrangements:</p> <ul style="list-style-type: none"> Network infrastructure security Privileged access control 	<p>Objective To provide assurance that IT systems and infrastructures are secure and that the arrangements to support business continuity are robust.</p> <p>Risk(s) Data protection and reputational risks</p>

3 Counter Fraud Update

- 3.1 Fraud cases are risk assessed, to determine whether detailed investigations are merited or alternative options to progress matters are more appropriate. The MKC Counter fraud team have received no reactive referrals during the year to date.
- 3.2 The outcomes/matches from 2022/23 National Fraud Initiative exercise i.e. sets of data where details have been identified as indicating potential fraud, are to be circulated by the Cabinet Officer at end of January 2023. The Counter Fraud Team will review and assess individual cases with relevant management.

4 External Assessment

- 4.1 An EQA action plan has been put in place and is being progressed, to ensure that issues identified are being addressed.



Annex A

Internal Audit Context and Background How Controls are Audited and Evaluated

There are three elements to each internal audit review. Firstly, the CONTROL ENVIRONMENT is documented and assessed to determine how the governance is designed to deliver the service's objectives.

IA then needs to test whether COMPLIANCE is evident in practice.

Finally, IA undertakes further substantive testing and/or evaluation to determine the ORGANISATIONAL IMPACT of weaknesses found.

The tables below outline the criteria for assessing the above definitions:

Control Environment Assurance	
Assessed Level	Definitions
Substantial	Substantial governance measures are in place and give confidence that the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.



Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left NCFRA open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left NCFRA open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left NCFRA open to low risk. This could have a minor impact on the organisation as a whole.

* Audit progress is measured within several stages

- Unstarted
- Planning ToR
- Fieldwork in Progress
- Fieldwork complete
- Draft Report
- Final Report

Progress is assessed as a percentage of the whole audit



ANNEX B

2022/23 - Audit Plan for NCFRA as at 30 November 2022

AUDIT TITLE	STATUS	PROGRESS	Quarter Work Allocated	Assurance Rating System Compliance	
Plan - 2021/22					
Payroll	Final Report	100% complete	Q1	Good	Good
Accounts Payable /Accounts receivable	Final Report	100% complete	Q1	Good	Good
Target operating -performance framework	Final Report	100% complete	Q1	Good	Good
Plan - 2022/23					
Key Policies and Procedures-Safeguarding	Final report	100% complete	Q2	Satisfactory	Limited
Financial Control Environment (G/L; Bank rec; TM; VAT; Pensions)	In progress (Q1 & Q2)	40%	Q2-Q4		
Corporate Governance Framework -Nolan Principles	In progress	40%	Q2		
Project Management Governance (key projects to be confirmed)	Planning	15%	Q3		
Budget Management	In progress	50%	Q3;		
Payroll	In progress	35%	Q3		
ICT Privilege Access controls	Planning-ToR	15%	Q2		
People & Culture Strategy Implementation	Not Started	0%	Q4		
Target Operating Model - Performance Monitoring Framework	Not Started	0%	Q4		
Contract Management – review of monitoring of adequacy of supplier H&S arrangements.	Not Started	0%	Q4;		
Network infrastructure security	Planning ToR	15%%	Q3		



AUDIT TITLE	STATUS	PROGRESS	Quarter Work Allocated	Assurance Rating System Compliance	
Accounting systems (AP/AR)	In progress	40%	Q4		
Risk Management review	Q2 review completed	50%	Q1- Q4		



AGENDA ITEM : 5

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER, NORTHAMPTONSHIRE POLICE and NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

14th December 2022

REPORT BY	Risk & Business Planning Manager Julie Oliver
SUBJECT	Internal Audit Recommendations Summary Report
RECOMMENDATION	Committee to note report

1 PURPOSE OF THE REPORT

- 1.1 This report provides the Joint Independent Audit Committee (JIAC) with an update on the status of actions arising from recommendations made in internal audit reports.
- 1.2 The report contains actions arising from audits of both Northamptonshire Fire and Rescue Service and the Office of Northamptonshire Police and Crime Commissioner.
- 1.3 This report includes an update on recommendations on all internal audit reports which have been issued as final as at the time of writing the report.

2 OVERALL STATUS

- There are no actions that have not yet reached their implementation date.
- 4 actions that have passed their implementation date & are overdue.
- 13 actions have been completed.

3 OVERVIEW

3.1 **2020/21 Audits**

- 1 action has passed its implementation date and is overdue.
- 1 action has been completed.

3.2 **2021/22 Audits**

- 3 actions have passed their implementation date and are overdue.
- 12 actions have been completed.

3.3 **2022/23 Audits**

- No internal audits for 2022/23 have received final reports.

3.4 The attached Summary of Internal Audit Recommendations Report shows details and the current status of all open audit actions.

3.5 The Fire Executive Board has oversight of all outstanding audit actions and directs the activities required to complete any actions that have passed their targeted implementation date.

List of Appendices

Appendix 1: Internal Audit recommendations v8.7

INTERNAL AUDIT RECOMMENDATIONS DASHBOARD

Summary of Audit Outcomes

Audits are graded as No Assurance, Limited Assurance, Satisfactory Assurance, Good Assurance or Substantial Assurance for adequacy of system and compliance.

Likelihood	H	S	I	E	The Agreed Actions are categorised on the following basis:	
	M	S	I	E		
	L	S	I			
		L	M	H		
		Impact				
					<u>Essential</u>	Action is imperative to ensure that the objectives for the area under review are met.
					<u>Important</u>	Requires action to avoid exposure to significant risks in achieving objectives for the area under review.
					<u>Standard</u>	Action recommended enhancing control or improving operational efficiency.

2020/21

AUDIT	DATE	Adequacy of System	Compliance	Organisational Impact of findings	Agreed Action plans		
					<u>Essential</u>	<u>Important</u>	<u>Standard</u>
Grenfell Tower Fire Inquiry Phase 1 Action Plan	October 2020	Good	Good	Minor	0	0	3
Asset Management	February 2021	Satisfactory	Limited	Moderate	3	10	2
C19 contract and spend analysis	February 2021	Good	Satisfactory	Minor	1	3	0
Financial Controls Environment Q1,2 &3	May 2021	Satisfactory	Limited	Major	2	0	2
Procurement and Stock Control	May 2021	Satisfactory	Limited	Moderate	5	5	0
Key Policies	May 21	Good	Good	Minor	0	2	3
Organisational Governance	June 21	Good	Good	Minor	0	0	1
ICT Governance	June 21	Satisfactory	Satisfactory	Minor	0	5	0
Target Operating model	June 21	Good	Good	Minor	0	0	1
MTFP and Budget Management	June 21	Good	Good	Minor	0	0	1
Accounting systems AP/AR	June 21	Good	Good	Minor	0	0	3
Payroll	August 21	Good	Satisfactory	Minor	0	4	2

2021/22

AUDIT	DATE	Adequacy of System	Compliance	Organisational Impact of findings	Agreed Action plans		
					Essential	Important	Standard
Target Operating Model ('Golden Thread' and the verification of Data Quality)	September 21	Limited	Limited	Moderate	2	0	0
Equipment Maintenance and Testing	November 21	Good	Satisfactory	Minor	2	4	4
ICT Disaster Recovery	December 21	Limited	Limited	Moderate	0	10	0
NCFRA Organisational Governance	December 21	Good	Good	Minor	0	1	0
HR Improvement Plan	March 22	Good	Not Awarded	Minor	0	1	0
Key Policies and Procedures	March 22	Good	Good	Minor	0	0	1
Financial Control Environment	March 22	Good	Good	Not awarded	0	0	0
MTFP and Budget Management	March 22	Good	Good	Minor	0	1	0
Acc Payable & Acc Receivable	May 2022	Good	Good	Minor	0	2	3
Payroll	May 2022	Good	Satisfactory	Minor	1	2	0
TOM - Performance Management	June 2022	Good	Good	Minor	0	0	0

Summary of Audit Recommendations Progress

This table shows a summary of the progress made on new audit recommendations raised at each JIAC during the current year and annual totals for previous years where audit recommendations are still active.


2020/21 AUDITS	RECOMMENDATIONS MADE	Essential	Important	Standard
Grenfell Tower Fire Inquiry Phase 1 Action Plan	3	CLOSED		
Asset Management	15	0	1	0
C19 contract and spend analysis	4	CLOSED		
Financial Controls Environment Q1,2 &3	4	CLOSED		
Procurement and Stock Control	10	CLOSED		
Key Policies	5	CLOSED		
Organisational Governance	1	CLOSED		
ICT Governance	5	CLOSED		
Target Operating model	1	CLOSED		
MTFP and Budget Management	1	CLOSED		


2020/21 AUDITS	RECOMMENDATIONS MADE	Essential	Important	Standard
Accounting systems AP/AR	3	CLOSED		
Payroll	6	CLOSED		
Totals	58	11	29	18


2021/22 AUDITS	RECOMMENDATIONS MADE	Essential	Important	Standard
Target Operating Model ('Golden Thread' and the verification of Data Quality)	2	2	0	0
Equipment Maintenance and Testing	10	CLOSED		
ICT Disaster Recovery	10	0	1	0
NCFRA Organisational Governance	1	CLOSED		
HR Improvement Plan	1	CLOSED		
Key Policies and Procedures	1	CLOSED		
Financial Control Environment	0	CLOSED		
MTFP and Budget Management	1	CLOSED		
Acc Payable & Acc Receivable	5	CLOSED		
Payroll	3	CLOSED		
TOM – Performance Management	0	CLOSED		
Totals	34	5	21	8


OUTSTANDING RECOMMENDATIONS

Key to Status

 Action completed since last report


 Action ongoing

 Action outstanding and past its agreed implementation date

 Action no longer applicable or superseded by later audit action

2020/21

Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
14	<p>WEAKNESS: The Equipment Manager advised that Redkite EMS does not have the functionality to update records e.g. when an asset has been reported as lost and then it is found.</p> <p>RISK: Assets are not accurately recorded on the system.</p>	<p>RECOMMENDATION: Redkite requires a thorough data cleanse to be completed to ensure all assets are recorded fully and accurately.</p> <p>MANAGEMENT COMMENTS: Agreed</p>	Important	<p>28.4.21. LF update. This is ongoing and part of the wider Red Kite review and change to ways of working</p> <p>9.7.21 – LF update – July 21 FEG has agreed to recruit a new PM to oversee the Red Kite fix. Action on target for completion date.</p> <p>15.9.21 – LF update – On-going work to cleanse the red kite system is being undertaken by the fleet and stores department. This will be further supported by the appointment of the PM once we fully understand the outcomes from the current equipment audit, which will complete the triangle associated with Red Kite (stores, assets and equipment)</p> <p>7.2.22 LF to check with HK that this can be closed. Process in place.</p> <p>April 22 – LF - This item needs to remain open to track the data cleanse element. Another 12 months required.</p> <p>5.7.22 LB update – Still on schedule</p> <p>25.11.22 LF update - Work on going. Remains on schedule</p>	<p>Head of Joint Transport and Logistics</p> <p>31 March 2022</p> <p>31st March 2023</p>	

MTFP and Budget Management – June 21

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	The link to the MTFP within the IRMP does not work Risk: Reputational	As the MTFP is regularly reviewed during the time of the IRMP, the document should be referenced rather than linked. Management comments; The MTFP is updated regularly throughout the year and formally each budget cycle, whereas the IRMP is prepared alongside the Fire and Rescue Plan over a longer term timescale, therefore, it would be more appropriate to remove the link & reference the MTFP within the document.	Standard	The Chief Finance Officer will propose to the Chief Fire Officer that in the next IRMP which will be finalised alongside the next Fire and Rescue Plan that the link is removed and reference is made to the MTFP and where it can be found. 11.04.22 KB - New CRMP still to be published on website by 31.5.22 5.7.22 CRMP still to be signed off by PFCC 24.8.22 KH update, CRMP published. Action is completed	After the publication of the next IRMP. Assumed by 31 March 2022. 31 st May 22 31 st July 22 Completed	

2021/22

Target Operating Model ('Golden Thread' and the verification of Data Quality) – September 21

	Issue	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	The data storage and performance reporting system, BIRT, is no longer useable due to lack of upgrades to the system over the years and a lack of communication by/with the supplier regarding the	NCFRA should progress with an approved solution and implementation of a system that enables fire and rescue service performance data to be collated, manipulated and produced that is timely, accurate and reliable as a matter of priority. The system should also allow for independent verification of	Essential	FEG paper to proceed was approved in September's FEG. Proposal has now gone to PFCC for funding approval. Once approved a pilot will be run. A post pilot evaluation will take place to agree the operating system required. The Chief Digital Officer anticipates full implementation by March 22 06.01.22 – Due to Analyst team reducing to one person, request to change date to 31 Dec 22. 11.7.22 KB update - Interrogation of systems & processes has determined that NFRS required an architecture review for digital information and performance data recording,	Area Manager Business Services – Kerry Blair Chief Digital Officer – Clare Chambers 31 st March 2022 New date 31 st Dec 22	

	change of operating system from Oracle to SQL express.	the accuracy and completeness of the outputs.		collecting and presenting to facilitate understand the short and long-term solutions. This will run in parallel to the Power Bi pilot. A capacity review is required to enable this work to be further prioritised - Clare and Kerry are meeting to agree how to expedite this work. 19.10.22 CC update (Acc B) Completion of BI Pilot by 31.03.23, but not a complete end-to-end business intelligence solution. 24.11.22 - KB update: Power Bi is due to be installed in Dec 22. CC Update - Progressing as planned.	New Date 31 st Mar 2023	
--	--	---	--	--	---------------------------------------	--


Target Operating Model ('Golden Thread' and the verification of Data Quality) – September 21

	Issue	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	Current process for producing reports to the Governance boards is resource intensive and there is no continuity arrangement in place.	The impact of staffing resource needed to operate the manual is assessed to determine the long term viability of the current approach, while the new system is developed.	Essential	The service will review the process of the manual workaround to determine its suitability, & the long term viability of the current approach, while the new system is developed. 14.12.21 KB: following several resignations from SIT & business services, KB is in discussion with ACOs to review the delivery of corporate services. 11.04.22 KB – JD is meeting with D&T to progress this issue & update 11.7.22 KB update - Interrogation of systems & processes has determined that NFRS required an architecture review for digital information & performance data recording, collecting & presenting to facilitate understand the short & long term solutions. This will run in parallel to the Power Bi pilot. A capacity review is required to enable this work to be further prioritised. Clare & Kerry are meeting to agree how to expedite. 19.10.22 CC update (Acc B) Capacity review to take place & discussions are in progress about how ES can work across both organisations to provide a business intelligence service effectively. Ability to meet 31.03.23 dependant on outcome of discussions. 24.11.22 CC Update – Discussions continuing.	Area Manager – Kerry Blair 31 st Dec 21 31 st Mar 22 31 st May 22 New date 31 st March 2023	

Equipment Maintenance & Testing – November 21

Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
<p>5</p> <p>Redkite EMS has the capability for all items listed to be recorded when they have been tested and/or maintained. However, some individual items of equipment, such as a chimney brush, are not recorded on Redkite and therefore not subject to a scheduled testing regime and could be missing and this remains undetected.</p> <p>Risk: Risk to life or serious injury if items are not available when required operationally.</p>	<p>Consideration should be given to a system that allows for regular routine checking of all items of equipment that should be on appliances and within stations to ensure that they are available for operational use.</p>	<p>The Equipment Managers and Fleet Engineer will check policy and related documentation is correct and update as required to ensure all items are forming part of the inventory check lists in line with operational requirements. As part of this process consideration will be given to the correct method of recording this information and if a new system or paper-based system is required, this will be recommended</p>	<p>Standard</p>	<p>Head of Joint Transport and Logistics. Equipment Managers – review systems and ensure processes/policies relating to inventory checks are correct</p> <p>April 22 LF Update – This action will need extending until Sept 22 due to the additional work from the new appliances. Work has been carried out to reset the inventory lists, but with new changes to the equipment holdings this work will need to be restarted. Area Manager, Service Delivery- CRG to ensure that there is compliance across the service with process/policy requirements.</p> <p>April 22 KH update - This is now BAU for all equipment covered by the EMS policy and is assured through the CRG assurance framework. There is a link in the performance manual “How to complete inventories”</p> <p>5.7.22 LB update. Still on schedule 25.11.22 LF update – This is now completed. New inventory guides as per new appliance roll-out</p>	<p>31st March 2022</p> <p>30th Sept 2022</p> <p>Completed</p>	<p></p>

ICT Disaster Recovery – December 21

	Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
2	<p>The IT BCP had not been reviewed to ensure it appropriately reflected the risks relating to the communications centre recovery period and the lack of support for the Cisco network; and to quantify how long it will take for the water Office and risk planning client software to be loaded onto new PCs; and to document evidence of periodic testing of MLC/Daventry Generator /UPS.</p> <p>Risk: Gaps in ICT BCP may impact on NCFRA operations if a business continuity event occurs.</p>	<p>The IT BCP should be reviewed and updated to reflect the appropriate position in relation to risk assessments, quantify recovery times and evidence testing completed.</p>	<p>Agreed. This will be reviewed when the new joint structure (Digital and Technology Department) across Fire and Police is in place, because contacts and working practices for the team will change</p>	Important	<p>Chief Digital Officer - Enabling Services 16.05.2022 – Updated as detailed in action 1. However the specifics of the BCP gaps are being reviewed as part of the D&T enterprise architecture review, which is due to be completed by end of August 2022. Therefore request an extension to end of Aug 2022. 5.7.22 YH - On schedule 23.8.22 YH - Roy Cowper to update on enterprise architecture progress when back from AL. YH – Reviewed the BCP & published. Check water software fully covered within BCP. 19.10.22 CC Update (Acc B) Assessing whether evidence is in place to close this action but the level of confidence is good that will be the case. 24.11.22 CC update – confirmed that water software is covered in BCP. It is on the SAN which is replicated between 2 sites. Action can be closed.</p>	<p>31st Mar 22 New date 31st Aug 22 30th Sept 22 Completed</p>	

ICT Disaster Recovery – December 21

	Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
3	<p>The ICT BCP did not have include a Business Impact Analysis to inform the identification of critical functions. Recovery time objectives were not assigned to individual systems, but to groupings of applications/infrastructure. A single list of critical systems was not maintained.</p> <p>Risk: in the event of a business continuity incident systems/infrastructure are not restored in the optimal order.</p>	<p>A business impact analysis process should be created, to inform production of a single list of critically ranked infrastructure /applications.</p>	<p>Agreed. This will be reviewed when the new joint structure (Digital and Technology Department) across Fire and Police is in place, because contacts and working practices for the team will change.</p>	<p>Important</p>	<p>Chief Digital Officer - Enabling Services</p> <p>16.05.2022 – Updated as detailed in action 1. However the specifics of the BCP gaps are being reviewed as part of the D&T enterprise architecture review, which is due to be completed by end of August 2022. Therefore request an extension to end of Aug 2022.</p> <p>5.7.22 YH - On schedule</p> <p>23.8.22 YH Check with RC as above. Keep open until MLC to WH is completed.</p> <p>19.10.22 CC update (Acc B) MLC to WH move taken place. Assessing whether evidence is in place to close this action but the level of confidence is good that will be the case.</p> <p>24.11.22 CC update – Confirmed that evidence is in place to show this is complete. As an example, email from Estates confirming move took place.</p>	<p>31st March 2022</p> <p>New date 31st August 2022</p> <p>30th September 2022</p> <p>Completed</p>	<p>Completed</p>

ICT Disaster Recovery – December 21

	Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
4	The BCP Annex A did not identify what role each of the named contacts was expected to perform in a disaster recovery event including back-up for different roles Risk: recovery from incident impaired because disaster recovery roles are not clear.	Annex A key contacts should be reviewed to identified roles and responsibilities for the named contacts.	Agreed. This will be reviewed when the new joint structure (Digital and Technology Department) across Fire and Police is in place, because contacts and working practices will change.	Important	Chief Digital Officer - Enabling Services 16.05.2022 – Updated as detailed in action 1. However the specifics of the BCP gaps are being reviewed as part of the D&T enterprise architecture review, which is due to be completed by end of August 2022. Therefore request an extension to end of Aug 2022. 5.7.22 YH - On schedule 23.8.22 YH - BCP completed and published. Action can be closed.	31 st March 2022 New date 31 st August 2022 Completed	

ICT Disaster Recovery – December 21

	Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
5	The BCP Annex A did not identify owners of key business systems other than the risk planning software and also there is no contact names for suppliers. Risk: recovery from incident impaired because disaster recovery roles are not clear	Annex A- key contacts should be reviewed to add contact details of key business system owners and key suppliers.	Agreed. This will be reviewed when the new joint structure (Digital and Technology Department) across Fire and Police is in place, because contacts and working practices will change.	Important	Chief Digital Officer - Enabling Services 16.05.2022 – because full review by Head of Digital Business has not yet commenced (June 2022) this action has not been completed yet. Head of Digital Business started on 21 Feb 2022. Request extension to end of August 2022 5.7.22 YH - On schedule 23.08.22 – JO get clarity from David Lamb (send BCP and annex A to him) awaiting reply. If further changes needed, new date 30 th Sept 22 9.9.22 – Action completed	31 st March 2022 New date 31 st August 2022 30 th September 2022 Completed	

ICT Disaster Recovery – December 21

	Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
6	The ICT BCP was not clear as to whether the two systems backup and replication software were managing the risk of corruption or unavailability of data. Risk: data becomes corrupted across primary and back up datacentres.	The ICT BCP should document how the risk of corruption or unavailability of data e.g. through a successful ransomware attack is being managed.	Agreed. This will be reviewed when the new joint structure (Digital and Technology Department) across Fire and Police is in place, because contacts and working practices will change.	Important	Chief Digital Officer - Enabling Services 16.05.2022 – because full review by Head of Digital Business has not yet commenced (June 2022) this action has not been completed yet. Head of Digital Business started on 21 Feb 2022. Request extension to end of August 2022 5.7.22 YH - On schedule 9.9.22 YH action completed. Joint police Fire BCP to be planned in 2023.	31 st March 2022 New date 31 st August 2022 Completed	

ICT Disaster Recovery – December 21

	Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
7	The risk and the potential impact /mitigations of a lack of fire suppressant systems at a key site was not documented in the BC. Risk: loss of datacentre due to fire.	There should be a documented risk assessment within the ICT BCP of the lack of fire suppression systems at MLC and Daventry data centres.	Agreed.	Important	Chief Digital Officer - Enabling Services 16.05.2022 – because full review by Head of Digital Business has not yet commenced (June 2022) this action has not been completed yet. Head of Digital Business started on 21 Feb 2022. Request extension to end of August 2022 5.7.22 YH - On schedule 23.8.22 YH – MLC will not be needed once moved to WH. 19.12.22 CC update (Acc B) MLC is no longer a data centre for MLC. Estates and Facilities have confirmed that Daventry has got fire suppressant system, therefore this recommendation will be closed.	31 st March 2022 New date 31 st August 2022 Closed	

ICT Disaster Recovery – December 21

	Issue	Recommendation	Management Response	Priority	Officer Responsible	Timescale	Status
9	The NCFRA BCP did not provide a definition of how much data, the organisation is willing to lose for critical systems, in terms of in time (Recovery point objective) in the event of a disaster. Risk: Loss of data impacts on NCFRA operations	NCFRA should review the benefits of defining Recovery Point Objectives for critical systems in the ICT BCP.	Agreed. This will be reviewed when the new joint structure (Digital and Technology Department) across Fire and Police is in place, because contacts and working practices will change.	Important	Chief Digital Officer - Enabling Services 16.05.2022 – because full review by Head of Digital Business has not yet commenced (Jun 22) this action has not yet been completed. Head of Digital Business started on 21 Feb 22. Request extension to end of Aug 22 5.7.22 YH - On schedule 9.9.22 YH action completed. Joint police Fire BCP to be planned in 2023 19.10.22 CC update (Acc B) Combined BCP across Police & Fire scheduled for June 23. The Enterprise Architecture repository will detail precisely what data is where, & then recovery point objectives can be agreed with the organisations, along with the entire joint BCP. 24.11.22 CC Update – Enterprise Architecture repository content is progressing as planned.	31 st March 2022 New date 31 st August 2022 New date 31 st June 2023	

Accounting systems - Accounts Payable and Accounts Receivable – May 2022

	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Timescale	Status
1	Testing highlighted that spend with suppliers is in some cases, in excess of £25,000 during	F8 of the NCFRA CGF requires that a formal tender process must be undertaken in conjunction with the Engagement Partner for spending with a	Agreed. Whilst the service can demonstrate that many of these transactions have been managed within the Corporate Governance Framework & that there are contracts in place for the majority of this spend. It is noted that some relates across multiple years which currently makes comparisons of	Important	Leanne Hanson 11.7.22 KB update. On schedule. 24.11.22 LH update - As part of the revised process the signature summaries are reviewed across all	31 March 2023 Completed	

	2021/22 and no contract is in place.	supplier in excess of £25,000. Management to ensure that all budget holders consult with the Commercial Engagement Team where a spend with a supplier is expected to exceed £25,000 prior to raising requisitions.	spend to contract difficult to align. The Service is aware that some of this spend relates to historic spend from the statutory transfer such as vehicle leases & therefore some records may not be fully available. Communication to managers to ensure compliance with CGF requirements during the approval process will be completed & the CGF will be re-issued to the Services approvers. The widened commercial team will also ensure closer monitoring of spend moving forwards between the team & Finance to proactively manage contractual spend.		HoDs and the finance lead. The finance business partner is also sighted on service requests to ensure greater compliance. Within recent engagement sessions and in individual pipelines meetings the communication with managers has also been undertaken. I am content that this action can now be closed.		
--	--------------------------------------	--	--	--	---	--	--

Accounting systems - Accounts Payable and Accounts Receivable – May 2022

	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Timescale	Status
2	There were some examples of spend with a contracted supplier in excess of the agreed contract value and no waiver/variation to contract is in place.	Processes needs to be reviewed to require Budget Holders and/or the Commercial Engagement Team to monitor contract spend against budget/ contract value on a monthly basis and any spend in excess of contract needs formal approval.	Agreed. The commercial team will work with Finance to embed the work of 21/22 to ensure greater compliance.	Important	Leanne Hanson 11.7.22 KB update – on schedule 24.8.22 LH advised work has started and has aligned this completion to MAP1. 24.11.22 – LH update. Work in line with MAP1 above has supported this. Whilst retrospective reporting from the current Fire system is able to identify areas of non-compliance – the current pipeline meetings ensure current contracts are meeting the requirements and captures any new requirements and/or variations required. This action can now be closed in line with MAP1	31 July 2022 31 st March 2023 Completed	

Accounting systems - Accounts Payable and Accounts Receivable – May 2022

	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Timescale	Status
3	There was no reference to a contract in place with a supplier included within the narrative detail on requisitions raised on ERP Gold in relation to contracted spend.	Where a contract with a supplier exists, the contract number should be quoted within the narrative of any requisition raised relating to the contract. This will enable effective monitoring of spend against contract.	Agreed. Communication to managers to ensure compliance with CGF requirements during the approval process will be completed.	Standard	Nick Alexander 30.6.22 NA update – Currently looking at the CGF framework to ensure that the communication is appropriate. All comms will be issued before 31 st July 23.8.22 NA update – comms sent, completed	31 July 2022 Completed	

Accounting systems - Accounts Payable and Accounts Receivable – May 2022

	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Timescale	Status
4	A number of 'blanket' requisitions were raised on ERP Gold during 2021/22 with suppliers. No evidence was attached within ERP Gold to demonstrate that the suppliers were offering best value for money.	In accordance with the NCFRA CGF where 'best value for money' means the most economic, efficient and effective means of meeting the need and takes account of whole life costs, requisitions raised on ERP Gold should demonstrate compliance with this. Evidence should be attached to each requisition raised on ERP Gold.	Agreed. Communication to managers to ensure checking contract are attached to all requisitions as appropriate.	Standard	Nick Alexander 30.6.22 NA update – Currently looking at the CGF framework to ensure that the communication is appropriate. All comms will be issued before 31 st July 23.8.22 NA update, comms sent, completed	31 July 2022 Completed	

Accounting systems - Accounts Payable and Accounts Receivable – May 2022

	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Timescale	Status
5	Internal Audit ran a report from ERP showing retrospective orders completed during 2021/22. This report showed that 300 requisitions had been raised retrospectively, representing 14% of the total number of requisitions raised .	In accordance with D3 Ordering of Goods & Services within the NCFRA CGF , all staff responsible for procurement should be reminded that requisitions should be raised at the time of placing the order & not on receipt of the goods/services or invoice . Budget Managers /Joint Finance Team should run the retrospective order report from ERP Gold on a monthly basis & ascertain the reason for non - compliance with the requisitioner(s). Management to consider/ explore the option of introducing “no Purchase Order , no Pay ” policy – i.e. if the invoice does not quote a Purchase Order number then it will not be paid, to reduce levels of retrospective orders.	Agreed. Some of these items were completed for documenting adherence to the CGF within the Financial system, however, there remains a significant proportion of activity relating to retrospective work that is not appropriate. During 22/23 we will work with the teams to look at the purchasing requirements that can be delivered under a Joint Enabling services system & function from 23/24 forwards to drive down the use of retrospective orders. We will also issue communications to the Service around the timeliness of raising orders before receiving goods & services.	Standard	Nick Alexander 30.6.22 NA update – Currently looking at the CGF framework to ensure that the communication is appropriate. All comms will be issued before 31 st July. Work continues with teams to ensure compliance with CGF. 23.8.22 NA update. Comms sent, retro orders are being monitored as BAU. 24.8.22 JO Awaiting confirmation that action can be closed from NA 7.9.22 NA confirmed closed. KB wants Finance scorecard to include this information going forward. 24.11.22 PB update – Completed.	1 April 2023 Completed	

Agenda Item 6b

Northamptonshire Commissioner Fire and Rescue Authority

Audit planning report

Year ended 31 March 2022

November 2022



Joint Independent Audit Committee
Northamptonshire Commissioner Fire and Rescue Authority

30 November 2022

Dear Joint Independent Audit Committee members (JIAC)

Audit planning report

We are pleased to attach our Audit Planning Report which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Authority and Joint Independent Audit Committee members (JIAC) with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with their service expectations.

We are currently completing our routine audit planning procedures. This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks. We will update the Joint Independent Audit Committee if our assessment changes during the course of the audit.

This report is intended solely for the information and use of the Authority and Joint Independent Audit Committee members (JIAC), and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 14 December 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

E. Jackson.

Elizabeth Jackson

Partner

For and on behalf of Ernst & Young LLP

Contents



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

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2021/22 audit strategy





Overview of our 2021/22 Audit Strategy

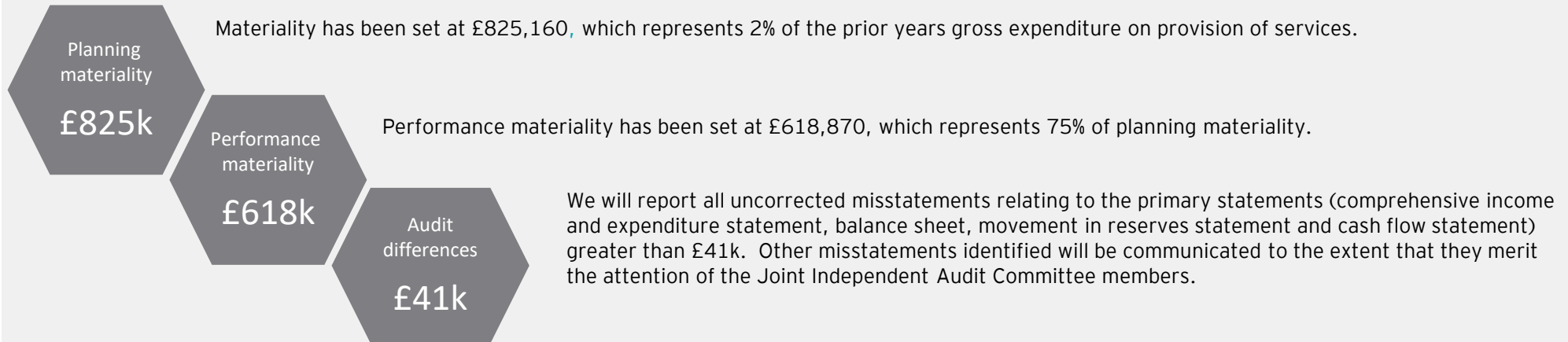
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Independent Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Pension liability valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Fire Fighters Pension Scheme and the Local Government Pension Scheme (LGPS).</p> <p>The Authority's deficits under both schemes are disclosed on a combined basis on the Authority's balance sheet. The total value was £328 million as at 31 March 2021 and represents a material and sensitive balance.</p> <p>The information disclosed is based on the IAS 19 reports issued to the Authority by the Actuaries for both schemes. Accounting for these schemes involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be an inherent risk.</p>
Valuation of other land and buildings	Inherent risk	No change in risk or focus	<p>Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. As the Authority's asset base is significant, and the outputs from the valuer are subject to estimation, small changes in assumptions when valuing these assets can have material impact on the financial statements and therefore the balances are susceptible to misstatement. There are no significant changes to the valuer's methodology, capital spend or use of the assets. We involved our real estate specialist in 2018/19 to do an extensive review of which no significant matters were identified.</p>

Overview of our 2021/22 Audit Strategy

Materiality



Overview of our 2021/22 Audit Strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Northamptonshire Commissioner Fire and Rescue Authority give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year ended; and
- Our commentary on the Authority's arrangements to secure value for money.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Northamptonshire Commissioner Fire and Rescue Authority's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.



Overview of our 2021/22 audit strategy

Value for money reporting

One of the main changes in the NAO's 2020 Code, is in relation to the value for money conclusion. We include details in Section 03 but in summary:

- We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Authority's arrangements against three reporting criteria:
 - Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
- ▶ The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue at the same time as we issue the audit opinion on the financial statements, although this timetable may be varied for 2021/22

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22. We have not met this deadline and the Authority has published a notice on its website.

Audit team changes

There has been a key change to our audit team for the 2021/22 audit. The Partner in Charge of the audit who is responsible for signing the audit report has changed from Neil Harris to Elizabeth Jackson.



02

Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

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

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

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Pension Liability Valuation (inherent risk)</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council.</p> <p>The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Liaise with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire Commissioner Fire and Rescue Authority; • Assess the work of the LGPS pension fund actuary and the Firefighters pension fund actuary (Government Actuary's Department) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of land and buildings (inherent risk)

Land and Buildings represent significant balances in the Authority's accounts (2020/21: £31.5 million) and are subject to valuation changes and impairment reviews. The Authority has valued all assets in 2021/22.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

There is therefore a risk that Land and Buildings may be misstated in the accounts, however, as the majority of the assets are specialist in nature so are valued at Depreciated Replacement Cost (DRC) the risk of material misstatement is not likely to be significant.

What will we do?

Our approach will focus on:

- Consider the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

We engaged EYRE to review a sample of land and buildings in 2018/19 and identified some non-material differences. We will consider whether we need to engaging EY Real Estates again to review a sample of Land and Buildings if we need to gain additional assurance over these balances. We will consider any relevant trigger events once we have assessed the work of the Authority's valuer in their valuation report, and management's assessment and explanations of any significant changes in valuation balances and assumptions.



03

Value for Money Risks





Value for Money

Authority responsibilities for value for money

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

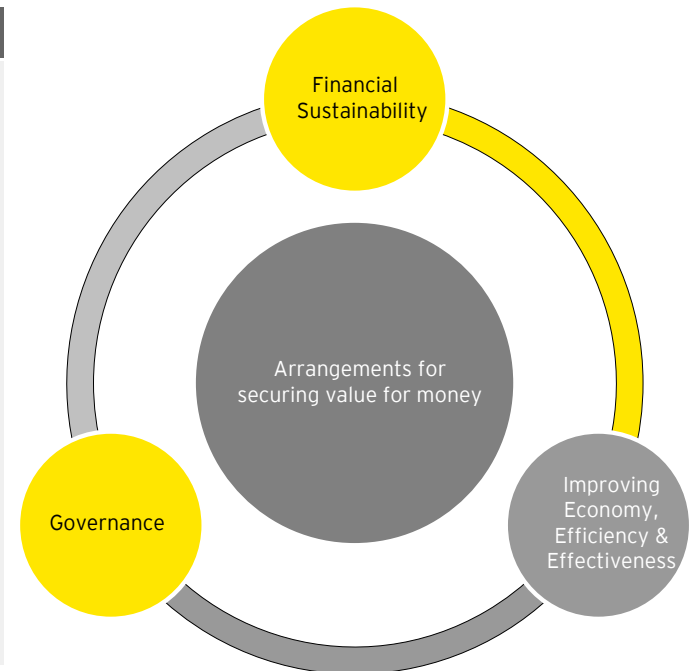
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

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

The specified reporting criteria are:

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



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement;
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Authority to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Standards Committee.

Reporting on VFM

Where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

We have yet to commence our detailed value for money planning. We will update the next Committee meeting on the outcome of our planning and our planned response to any identified risks of significant weaknesses in arrangements.



04 Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £825k. This represents 2% of the Authority's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. It should be noted that we are no longer required to have a separate materiality for the firefighter pension fund. This is not required for periods ending on or after 15 December 2020. We have provided supplemental information about audit materiality in Appendix C.

Main statements:



We request that the Joint Independent Audit Committee, confirm its understanding of, and recommend agreement to the CC and PCC, of these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £618k which represents 75% of materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Standards Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £10k for remuneration disclosures, exit packages and related party transactions and which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Materiality

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures, including exit packages: we will agree all disclosures back to payroll data and supporting evidence.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Joint Independent Audit Committee.

Internal audit:

As in prior years, we will review the internal audit plan for 2021/22 and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team

Audit team and Use of specialists

Audit team

The core audit team is led by Elizabeth Jackson as the Partner-In-Charge with support from Julie Kriek, Manager, and Dev D'Souza, Lead Senior.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Wilks, Head and Eve (Northamptonshire Commissioner Fire and Rescue Authority's property valuer)
Pensions disclosure	Hymans Robertson LLP (LGPS) and Government Actuary's Department (GAD) for FFPS (Pension Funds Actuary), EY Pensions Advisory and PwC (Consulting Actuary to the National Audit Office)

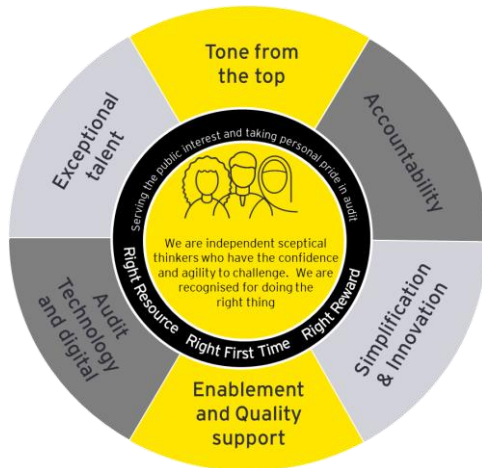
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

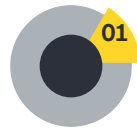


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

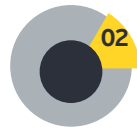
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of **Sustainable Audit Quality** are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



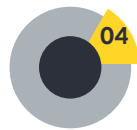
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



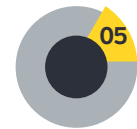
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



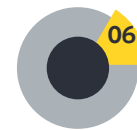
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



07

Audit timeline



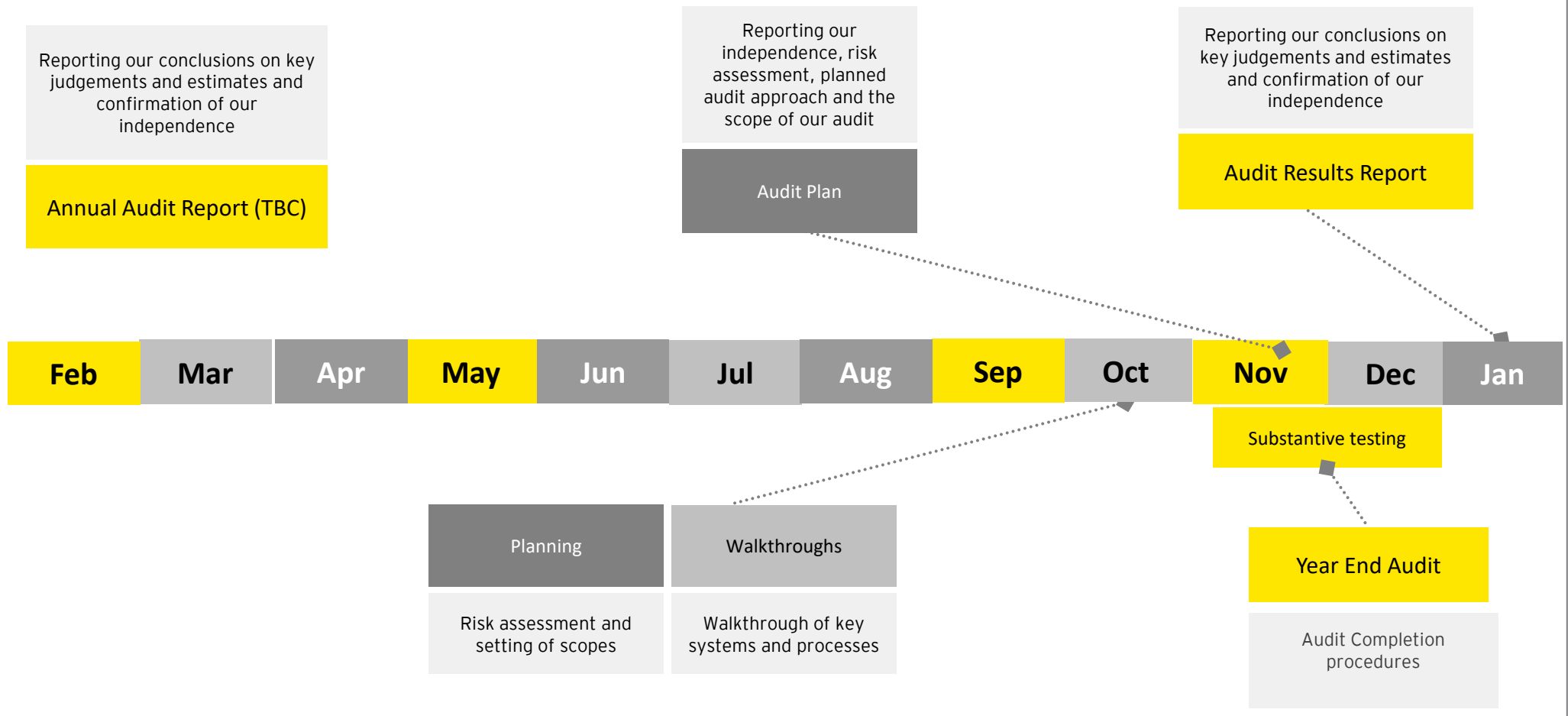
 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Joint Independent Audit Committee and we will discuss them with the Joint Independent Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence



Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Elizabeth Jackson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is nil. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

 Independence

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

 Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Proposed fee 2021/22	Proposed Final Fee 2020/21	Final Fee 2019/20
	£	£	
Scale Fee - Code work	25,000	25,000	25,000
Covid-19 additional fee	-	1,520	6,238
Planned recurrent fee variation reflecting the underlying level of additional risk at the Authority yet to be agreed by the Authority or PSAA (See Notes 1 and 2)	25,096	25,096	-
Additional work required to respond to the requirements of ISA540, including the use of EY Pensions (3)	1,900	1,900	-
Value for Money arrangements (3)	5,000	5,000	-
Additional risk based fees (4)	TBC	-	-
Total fees	TBC	58,516	31,268

Note 1: As reported in our Annual Audit Letter, the 2019/20 Code work includes an additional fee of £6,238, which relates to additional work as result of Covid-19 we identified increased risk and work required in relation to the higher risk related to the valuation of assets and going concern disclosures as well as the work to address the material uncertainty in the valuer's report relating to the valuation of land and buildings. Internal time was also required for internal consultation to process on the audit report as result of Covid-19. This fee has been agreed with management but is subject to PSAA approval.

Note 2 - We reported in previous JIAC meetings that we an adjusted baseline audit fee of up to £50,096 has been raised with PSAA. The £25,096 increase related largely to increased risk and complexity facing all public sector bodies, adjusted for our knowledge and risk assessment for the Authority, changes and

Note 2 continued - the incremental increase in regulatory standards.

Management do not support an increase in the baseline scale fee and recognise this will be a discussion between Management, EY and PSAA.

Note 3 - PSAA issued a document "Additional information for 2020/21 audit fees" in August 2021. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. The figures included here are the minimum additional fee ranges set out in this document. Final fees will be confirmed once the audit is complete.

Note 4 - For 2021/22, the scale fee will be impacted by a range of factors (see following page) which will result in additional work. We will continue to discuss the impact of these factors with management and the impact on our view with the changes required to the baseline fee, before reporting to PSAA.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Authority; and
- The Authority has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix A

Fees

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity.

Summary of key factors

1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
 - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
2. **Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
 - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.
3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:
 - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
 - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

 Appendix A

Fees





Summary of key factors (continued)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
 - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
 - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Appendix B





Required communications with the Audit and Standards Committee

We have detailed the communications that we must provide to the Audit and Standards Committee.

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





 Appendix B

Required communications with the Joint Independent Audit Committee (continued)

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Annual audit report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Annual audit report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Joint Independent Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Annual audit report
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Annual audit report





 Appendix B

Required communications with the Joint Independent Audit Committee (continued)

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report</p> <p>Annual audit report</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Annual audit report
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Joint Independent Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Independent Audit Committee may be aware of 	Annual audit report
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Annual audit report

 Appendix B

Required communications with the Joint Independent Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Annual audit report	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Annual audit report	
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Annual audit report	
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Annual audit report	

 Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Joint Independent Audit Committee reporting appropriately addresses matters communicated by us to the Joint Independent Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

 Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Authority's financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2019 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com



Corruption and Fraud Controls and Processes

Author: Vaughan Ashcroft

Chief Officer Sponsor: Deputy Chief Constable

Date: December 2022

Version: 1

NORTHAMPTONSHIRE
POLICE
Fighting Crime. Protecting People.



1. Purpose

- 1.1. This report provides updated details of the robust processes and procedures Northamptonshire Police currently has in place to identify and mitigate the likelihood of fraud. These complement and support the national measures that exist for scrutiny of the public sector and managing integrity across Police Forces in England & Wales.

2. Recommendation

- 2.1. To note the content of the report.

3. National Standards - College of Policing: Code of Ethics

- 3.1. The *Code of Ethics 2014* was produced by the College of Policing in its role as the professional body for policing. It sets and defines the exemplary standards of behaviour for everyone who works in policing. As a code of practice, the legal status of the *Code of Ethics* applies to the Police Forces in England & Wales under section 39A of the Police Act 1996 as amended by S. 124 of the Anti-Social Behaviour, Crime and Policing Act 2014. See Appendix 1.

- 3.2. The *Code of Ethics* is about self-awareness, ensuring that everyone in policing feels able to always do the right thing and is confident to challenge colleagues irrespective of their rank, role or position.

- 3.3. The *Code* begins by clearly laying out the Policing Principles (fig 1) on the basis that:

“Every person working for the police service must work honestly and ethically. The public expect the police to do the right thing in the right way. Basing decisions and actions on a set of policing principles will help to achieve this.”

Policing principles

Accountability

You are answerable for your decisions, actions and omissions.

Fairness

You treat people fairly.

Honesty

You are truthful and trustworthy.

Integrity

You always do the right thing.

Leadership

You lead by good example.

Objectivity

You make choices on evidence and your best professional judgement.

Openness

You are open and transparent in your actions and decisions.

Respect

You treat everyone with respect.

Selflessness

You act in the public interest.

Fig 1

3.4. The *Code's* Standards of Professional Behaviour (fig 2) begins with:

1. Honesty & Integrity

"I will be honest and act with integrity at all times, and will not compromise or abuse my position."

Standards of professional behaviour

1. Honesty and integrity

I will be honest and act with integrity at all times, and will not compromise or abuse my position.

2. Authority, respect and courtesy

I will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.

I will use my powers and authority lawfully and proportionately, and will respect the rights of all individuals.

3. Equality and diversity

I will act with fairness and impartiality.
I will not discriminate unlawfully or unfairly.

4. Use of force

I will only use force as part of my role and responsibilities, and only to the extent that it is necessary, proportionate and reasonable in all the circumstances.

5. Orders and instructions

I will, as a police officer, give and carry out lawful orders only, and will abide by Police Regulations.

I will give reasonable instructions only, and will follow all reasonable instructions.

6. Duties and responsibilities

I will be diligent in the exercise of my duties and responsibilities.

7. Confidentiality

I will treat information with respect, and access or disclose it only in the proper course of my duties.

8. Fitness for work

I will ensure, when on duty or at work, that I am fit to carry out my responsibilities.

9. Conduct

I will behave in a manner, whether on or off duty, which does not bring discredit on the police service or undermine public confidence in policing.

10. Challenging and reporting improper behaviour

I will report, challenge or take action against the conduct of colleagues which has fallen below the standards of professional behaviour.

Fig 2

3.5. The expectation is that police employees will act with honesty and integrity at all times. Examples of meeting this standard in relation to fraud include:

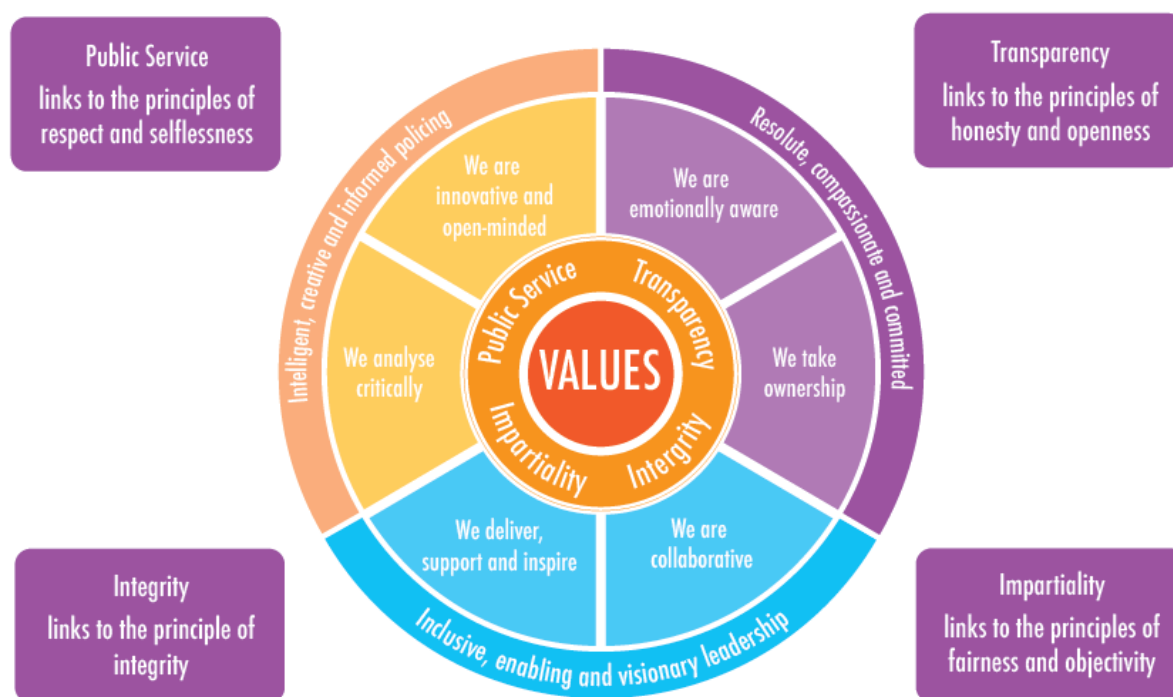
- Ensuring decisions are not influenced by improper considerations of personal gain;
- Neither soliciting nor accepting the offer of any gift, gratuity or hospitality that could compromise impartiality.

- 3.6. The *Code of Ethics* has been embraced by Northamptonshire Police with its values being mainstreamed throughout the Force. An awareness campaign was run by the Corporate Communications Department when the *Code* was launched.
- 3.7. The *Code* underpins the Force's 'Our Values', laid out in the Culture & People Strategy as follows:

Our Values

Northamptonshire Police has adopted the nationally recognised Competency Values Framework (CVF), which links to the Code of Ethics and sets out the behaviours and values to be upheld by everyone who works in policing.

Northamptonshire Police officers and staff will act with **Integrity**, **Impartiality**, **Transparency** and a **Public Service** ethos.



- 3.8. The College of Policing is undertaking a review of the *Code of Ethics*, working with a committee of subject matter experts, academics, and frontline officers and staff. The aim of the review is to:
- Review the policing principles to:
 - Establish whether they reflect the requirements for both contemporary and future policing

- Ensure that they are inspirational, befitting and relevant to all in policing
 - Ensure that they provide a strong and practical ethical framework that supports autonomous professional decision-making and learning and development
 - Include 'candour', as per the Hillsborough and Daniel Morgan inquiries
 - Update the explanatory text of the SPBs to reflect recent legislative changes and other contemporary issues in policing
- Provide guidance, recommendations and supporting material to forces, to aid the implementation of ethical decision making at all levels
- 3.9. The review will result in the publication of three documents that will complement each other; Ethical Principal, Guidance of Professional Behaviour and a code of practice for ethical and professional policing.
- 3.10. The College of Policing Development team stated that the public consultation will run towards the end of the year and will last for a minimum of six weeks. The final publication of the updated Code of Ethics Framework is intended for early 2023.

4. National Fraud Initiative

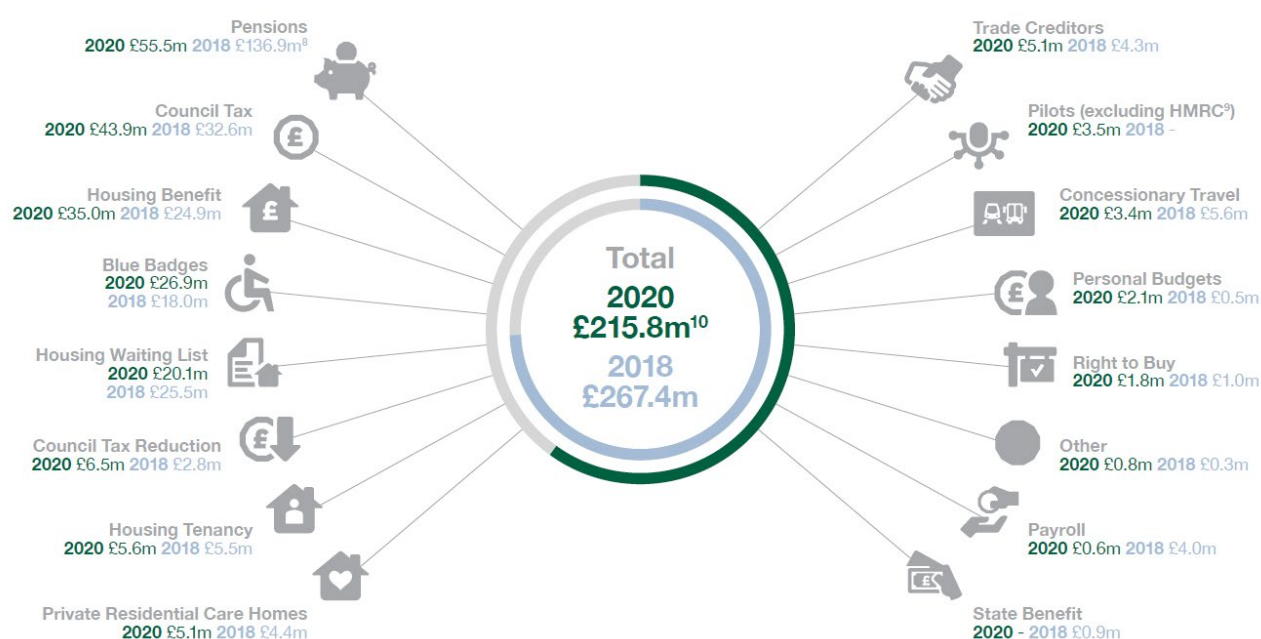
- 4.1. Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes Police Forces and OPCCs, Local Probation Trusts and Community Rehabilitation Companies, Fire and Rescue authorities as well as local councils and a number of private sector bodies.
- 4.2. NFI data matching plays an important role in protecting the public purse against fraud. Northamptonshire Police has run the NFI exercise every two years to help detect and prevent fraud for many years. The latest exercise is underway with a deadline for delivery of datasets of mid-Nov 22. The report will then follow after
- 4.3. No matters of fraudulent activity were found to have taken place in the last report.
- 4.4. Fraudsters often target different organisations at the same time, using the same fraudulent details or identities. The NFI can help tackle this by comparing information held by organisations to identify potential fraud and overpayment.
- 4.5. A match does not automatically mean fraud. Often, there may be an explanation for a data match that prompts bodies to update their records and to improve their systems.

4.6. Although not mandatory, central government departments, agencies and arm's length organisations are encouraged to submit the following datasets:

- Payroll information
- Trade creditors' payment history and standing data

4.7. The main categories of fraud identified by the NFI in England relate to pensions, council tax single person discounts and housing benefit. The latest national report indicated over £215m of fraud being detection, broken down by risk area as follows. The full report is available in Appendix 2.

Outcomes in England by risk area



4.8. Data matching showing little or no fraud and error can provide bodies with assurances about the effectiveness of their control arrangements. It also strengthens the evidence for the body's annual governance statement.

4.9. The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation.

4.10. Since taking part in the NFI, the results have highlighted areas of concern that we have been able to check against Related Parties disclosures. As such, it was reassuring that those areas were picked up and that correct protocol had been followed by all individuals concerned. In previous years, the results also picked up a duplicate supplier payment, which was investigated and found to be an error without fraudulent intent and was subsequently corrected without issue.

- 4.11. In the last round of NFI results, there was an example where it appeared that one of our officers was also being paid by another police force. This was investigated by the finance team and PSD, and found to be an administrative error on the part of the Metropolitan Police. It was addressed as required and no further action was necessary.
- 4.12. This year the Cabinet Office consulted on widening the National Fraud Initiative (NFI) data matching powers and updating the NFI Code of Data Matching Practice. The powers are embedded within the Local Audit and Accountability Act, 2014 (the Act). The powers are:
- to assist in the prevention and detection of crime (other than fraud)
 - to assist in the apprehension and prosecution of offenders
 - to assist in prevention and detection of errors and inaccuracies
 - to assist in the recovery of debt owing to public bodies
- 4.13. The views of respondents on the proposals were mixed. Many recognised the benefits of extending data matching generally and the data matching service of the NFI to new areas. However, many raised concerns, particularly around how extension would be operationalised and how individuals' personal data would be managed.
- 4.14. The Government response set out the intention to not proceed with extending the NFI to new purposes at this stage. In line with the Government's commitment to doing more to prevent and detect fraud, the Government will retain the focus of the NFI on preventing and detecting fraud, supporting bodies in enhancing their fraud response through the use of data and analytics and through the creation of the new Public Sector Fraud Authority.
- 4.15. Feedback to the consultation will be used to inform the future development of the NFI, supplementing wider engagement activities. The Cabinet Office will continue to work closely with interested parties on the future direction of the NFI and new purposes and welcomes ongoing feedback.

5. Local Strategies – Policies and Procedures

- 5.1. All police officers, staff and volunteers must pass a vigorous vetting process to join Northamptonshire Police.
- 5.2. Strategies, policies and procedures are in place locally to promote and enforce national standards

- 5.3. These include 'Standards of Professional Behaviour'. There has been a campaign to promote awareness and understanding of these, through 'Standard of the Month', which has focussed on each standard in turn. This involved pushing email briefings to all officers and staff, with a direction to encourage discussion and work through case studies in departmental and team meetings. This included development of 60-second videos that clearly articulate the standards in an accessible and engaging way, which have been shared as part of the monthly briefings.
- 5.4. A number of local policies and procedures are in place which relate to managing integrity of police officers and staff in Northamptonshire to which all individuals are required to adhere. These include:
- ACPO Guidance on Business Interests
 - Business Interest Policy
 - Confidential Reporting Policy
 - Expenses & Allowances Policy
 - Fraud Investigation Policy
 - Gifts and Hospitality Policy & Procedure
 - Misconduct Outcomes Publications
 - Notifiable Associations Procedure
 - Overtime (Police Officers) Procedure
 - Police Staff Misconduct Policy & Procedure
 - Procurement Card Policy
 - Service Confidence Procedure
 - Social Media Policy
 - Substance and Alcohol Misuse Policy
 - Vetting Policy and Guidance
 - Whistleblowing Policy – supported by the Bad Apple reporting system
 - Your Personal Finances Policy
- 5.5. All policies, procedures and guidance are available to staff on the internal website and subject to regular review points.
- 5.6. The Force has recruited a Counter Prevention Officer to work with internal stakeholders and external partners to improve preventative measures. This has included implementing Integrity Health Checks for all staff and officers that covers a number of areas including business interests, notifiable associations and financial

status. The purpose of this is to reduce organisational vulnerability and enhance personal welfare. The Professional Standards Dept works with HR to ensure this is now included in PDRs to manage and monitor.

- 5.7. Supporting the Confidential Reporting Policy is the “Bad Apple” initiative, allowing concerns to be reported anonymously via a secure online portal, managed by the Counter Corruption Unit within the Professional Standards Department.
- 5.8. In August 2022, the Force launched the new *Flag It!* application, which allows for officers and staff to report occurrences and behaviours that concern them. *Flag It!* is for those situations that people may not feel warrant a Bad Apple report but in fact still need to be highlighted so appropriate training or management action can be implemented.

6. Response to National events

- 6.1. Recognising the grave levels of public concern following the kidnap, rape and murder of Sarah Everard by a serving officer and other deeply troubling incidents, the Metropolitan Police Service (MPS) appointed Baroness Louise Casey to lead an independent review of our culture and standards of behaviour. The review began in February 2022. It expects to finish its work by February 2023, when the final report and recommendations will be published.
- 6.2. Like other forces across the UK, Northamptonshire will be taking the findings of this report very seriously.
- 6.3. Operation Admiral has been set up locally to review the findings and recommendations within the report, to ensure the right safeguarding measures are in place and the very highest professional standards are upheld by Northamptonshire officers and staff.
- 6.4. The Chief Constable has made no secret of his desire to root out those whose conduct falls short of what is expected and, as such, the Professional Standards Department remains ever focused on investigating complaints as and when they arise.
- 6.5. Work also continues both within PSD and the wider workforce to tackle errant behaviour and educate officers and staff around the high standards of integrity we expect. Where officers or staff are found guilty of gross misconduct, the Force will strive relentlessly to remove them from public service at the earliest opportunity.

7. Governance and Controls

- 7.1. The Corporate Governance Framework clarifies the following:

“C4 PREVENTING FRAUD AND CORRUPTION

Overview and Control

The PFCC and the CC will not tolerate fraud or corruption in the administration of their responsibilities, whether from inside or outside.

There is an expectation of propriety and accountability on officers, staff, volunteers and members at all levels to lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The PFCC and the CC also expect that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom they come into contact will act towards the PFCC with integrity and without thought or actions involving fraud or corruption.

Key Controls

The key controls regarding the prevention of financial irregularities are that:

Key Controls: Preventing Fraud and Corruption
There is an effective system of internal control.
The organisation has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption.
All officers, staff, volunteers and members will act with integrity and lead by example
Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the organisation or who are corrupt.
High standards of conduct are promoted amongst officers, staff, volunteers and members through adherence to codes of conduct.
There is an approved Gifts, Gratuities and Hospitality Policy and procedure that must be followed. This includes the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded.
Whistle blowing policy and procedures are in place and operate effectively.
Legislation including the Public Interest Disclosure Act 1998 and the Bribery Act 2010 is adhered to.

Responsibilities of the Statutory Officers

Responsibilities of the Statutory Officers: Preventing Fraud and Corruption
To ensure all staff act with integrity and lead by example.

The PFCC and the CC are responsible for preparing an effective anti-fraud and anti-corruption policy and maintaining a culture that will not tolerate fraud or corruption and ensuring that internal controls are such that fraud or corruption will be prevented where possible.

The PFCC and the CC shall prepare a joint policy for the registering of interests and the receipt of hospitality and gifts covering officers and staff. The policy is published as appropriate on its website and the Force's website. A register of interests and a register of hospitality and gifts shall be maintained for staff in a manner to be determined by the PFCC.

The PFCC and the CC shall prepare a whistle blowing policy to provide a facility that enables staff, the general public and contractors to make allegations of fraud, misuse and corruption in confidence, and without recrimination, to an independent contact. Procedures shall ensure that allegations are investigated robustly as to their validity that they are not malicious and that appropriate action is taken to address any concerns identified. The PFCC shall ensure that all staff are aware of any approved whistle blowing policy.

To implement and maintain an adequate and effective internal financial framework clearly setting out the approved financial systems to be followed.

The PFCC and the CC shall notify the PFCC CFO and the CC CFO immediately if a preliminary investigation gives rise to any suspected fraud, theft, irregularity, improper use or misappropriation of property or resources. This reporting fulfils the requirements of Section 17 of the Crime and Disorder Act 1998. In such instances, the PFCC, the CC, the PFCC CFO and the CC CFO shall agree any further investigative process. Pending investigation and reporting, the PFCC and CC shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

The PFCC and CC may instigate disciplinary procedures where the outcome of an investigation indicates improper behaviour.

7.2. Specific controls include:

- Reliable tendering procedures including checks to ensure legitimacy and integrity of suppliers. The NFI analysis described above will highlight any relationships between employees and suppliers that may need investigation.
- Internal audits commissioned to scrutinise adherence to controls and to highlight areas of concern/improvement.
- Regular detailed scrutiny of all expenses/overtime claims and purchase card transactions.
- Regular review of purchase card holders and authorisers, with a focus on reducing the number of cards where possible and checking that purchase limits are appropriate

- Minimal use of cash and rigid cash handling processes in place
- Vetting of all officers/staff which is refreshed on a periodic basis.

7.3. The detailed scrutiny of expenses and purchase card transactions do on occasion identify queries for investigation but none of these have been found to be fraudulent. Examples include:

- Duplicate expense claims submitted in error.
- Claims that were initially thought to be in contravention with policy and/or regulations.
- Expenses where receipts are missing or that indicate suppliers that appear out of the ordinary.
- Expenses mis-claimed where “the wrong boxes have been filled in”

In all cases, corrections were made and advice given.

8. Internal and external audits

- 8.1. Internal financial audits which would highlight any potentially fraudulent activity are conducted by Mazars LLP throughout the year on a cyclical basis, looking at different thematic strands.
- 8.2. External audits which scrutinise the Force’s accounting procedures and which would identify and mitigate the likelihood of fraud are conducted annually.

9. Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspections

- 9.1. The PEEL inspection is the programme in which HMICFRS draws together evidence from its annual all-force inspections. The evidence is used to assess the effectiveness, efficiency and legitimacy of the service. HMICFRS introduced these assessments so that the public will be able to judge the performance of their Force and policing as a whole. The **effectiveness** of a force is assessed in relation to how it carries out its responsibilities including cutting crime, protecting the vulnerable, tackling anti-social behaviour, and dealing with emergencies and other calls for service. Its **efficiency** is assessed in relation to how it provides value for money. Its **legitimacy** is assessed in relation to whether the force operates fairly, ethically and within the law.
- 9.2. The legitimacy inspection focused on the extent to which forces develop and maintain an ethical culture to reduce unacceptable types of behaviour among their workforces.
- 9.3. HMICFRS acknowledged that research tells us that the best way to prevent wrongdoing is to promote an ethical working environment or culture and that police leaders need

to promote ethical principles and behaviour and act as role models, in line with the Code of Ethics.

- 9.4. The HMICFRS PEEL Inspection 2018/19 assessed Northamptonshire as GOOD in relation to Legitimacy - Ethical and Lawful Workforce Behaviour and stated:

“Northamptonshire Police behaves ethically and lawfully. Effective anti-corruption measures are in place. Leaders publicise their expectations and the force’s values well throughout the workforce.”

- 9.5. The 2021/22 report draws the following positive conclusion:

“Ethical standards are clearly promoted throughout the force

There is strong support for the chief officer team and its communications through regular use of vlogs, particularly from the chief constable. Officers and staff feel valued, included and part of the force. They feel it is now in a better place than it has been for several years and morale is increasing. The ethics committee is a useful forum for discussing challenging ethical issues, and its findings are published. ‘Challenging behaviours’ meetings have been introduced to improve perceptions of fairness and transparency. Both of these indicate a developing learning culture supported by the professional standards department.”

- 9.6. The next full HMICFRS inspection will be taking place in Northamptonshire between August and October 2023 with results expected in February 2024.

10. Appendix 1 – Code of Ethics

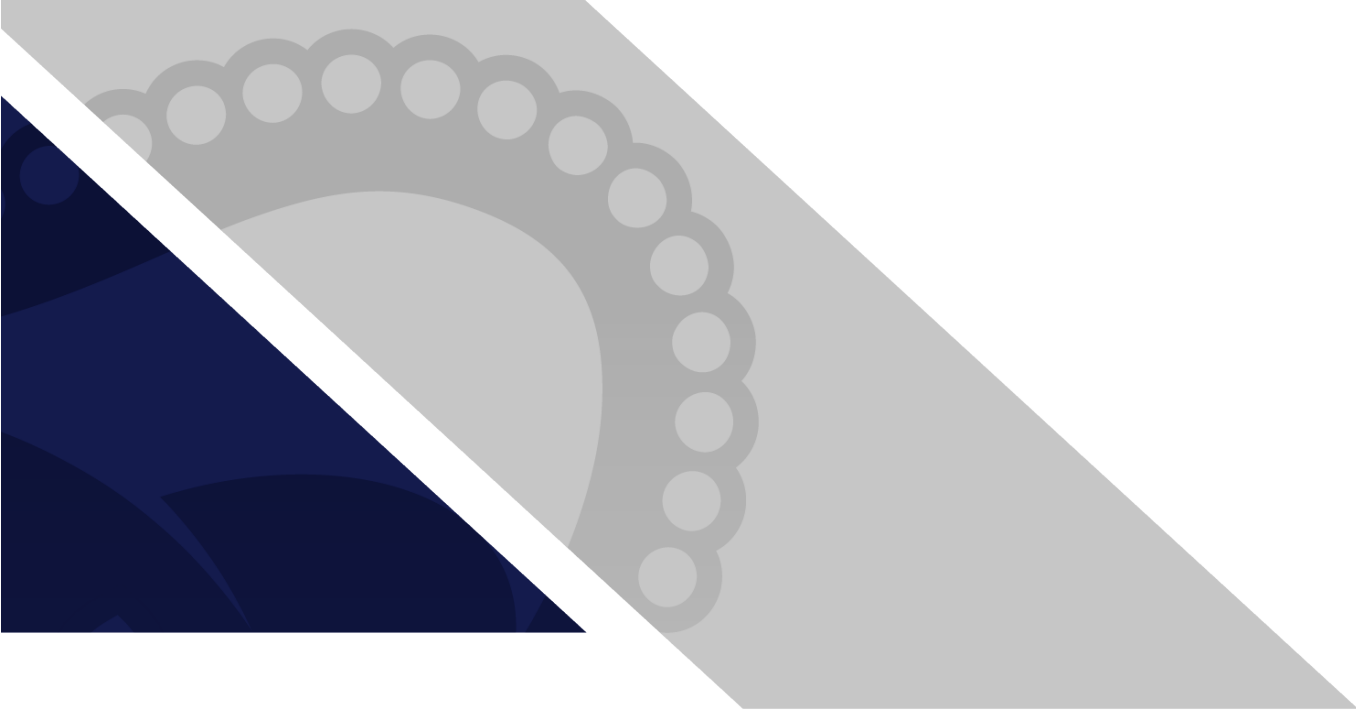
Code_of_Ethics.pdf

11. Appendix 2 – National Fraud Initiative 2020 Report

NFI_report_2020.pdf

12. Appendix 3 – National Fraud Initiative Consultation Outcome:

[Consultation on the expansion of the National Fraud Initiative \(NFI\) Data Matching Powers and the new Code of Data Matching Practice - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/nfi-data-matching-powers-and-the-new-code-of-data-matching-practice)



NORTHAMPTONSHIRE
POLICE

Fighting Crime. Protecting People.





AGENDA ITEM 8

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER (PFCC),
NORTHAMPTONSHIRE POLICE and
NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE (NFRS)**

JOINT INDEPENDENT AUDIT COMMITTEE

14 December 2022

REPORT BY	Area Manager Kerry Blair
SUBJECT	NFRS HMICFRS Inspection update
RECOMMENDATION	Committee to note report

1 **Purpose of report**

- 1.1 To provide the Joint Independent Audit Committee with an update on the Service response to the HMICFRS Round 2 inspection.

2 **Relevant Fire Plan/ Community Risk Management Plan (CRMP) strategic objective/ priority**

- 2.1 This report contributes to the CRMP objectives of:

- Keeping our communities safe and well
- Keeping our staff safe and well
- Making the best use of resources

3 **Background**

- 3.1 The Service was inspected by HMICFRS as part of the second round of inspections in the winter of 2021/22. This is the first full inspection since the change of Governance for NFRS, 01 January 2019 when the Northamptonshire Commissioner Fire and Rescue Authority was formed, with the Authority being the PFCC.
- 3.2 The 7-week inspection commenced in mid-December 2021 and was concluded at the end of February 2022.

3.3 On 27 July 2022, the report was published.

4 The Inspection report

4.1 Of the 14 pillar and diagnostic measures: 9 were graded higher (2 by 2 grades), 4 remained the same, and only one was worse than the previous inspection in 2018/19. See appendix A.

4.2 Inspectors said they were “pleased to see the Service has made significant progress since the 2018 inspection in how effectively and efficiently it keeps people safe and secure from fires and other risks.”

4.3 Inspectors also noted that they were encouraged to see that the Service has responded well to the areas for improvement they identified in their first inspection and that there has been a positive direction of travel.

4.4 The inspection looked in detail at work across three categories: **effectiveness, efficiency, and people.**

4.5 Effectiveness

4.5.1 The inspection found that there had been major improvements in the Service’s effectiveness at responding to and preventing fires and protecting the public through regulation. These areas of work were individually graded as ‘Good’, and the Service received a ‘Good’ grading across the board for its operational effectiveness.

4.5.2 Areas of positive work identified by HMICFRS include:

- The development of an effective Integrated Risk Management Plan (IRMP) which uses data and intelligence to identify a range of risks and it describes how it will mitigate them. NFRS now has effective processes in place to gather and disseminate risk information throughout the organisation.
- The allocation of more resources to its prevention function allowing it to mitigate the risks it has identified. NFRS has evaluated its methodology for conducting home fire safety checks and adapted this to better target the highest risk in its communities. The Service has effective relationships with a range of partner organisations which allow it to safeguard vulnerable people and collaboratively reduce the number of fires and other emergencies.
- NFRS have undertaken a detailed review of its Risk-Based Inspection Programme (RBIP) to make sure this is more proportional. NFRS now targets its activity at premises that present the highest risk. It has also responded to their last inspection by improving the way it engages informally with businesses to make sure they comply with fire safety legislation.
- NFRS has taken appropriate action to address HMICFRS’ cause of concern about its response capability. It now has sufficient resources available to give an emergency response in line with its own performance standards. It has extensively reviewed these standards to make sure available resources meet risk and demand.

- HMICFRS found improvements in the NFRS's capability to respond to major and multi-agency incidents. It has established effective plans to respond to incidents and it tests these plans regularly with other agencies and fire and rescue services. Staff now have a better understanding of Joint Emergency Services Interoperability Programme (JESIP) principles, although HMICFRS still found that not all staff understand their role in responding to marauding terrorist attack incidents.

4.6 Efficiency

4.6.1 This area judges whether the Service is making the best use of resources and having a robust plan to manage its finances well into the future, also received a 'Good' rating overall from the Inspectors. These areas had been graded as requires improvement in the previous inspection in late 2018.

4.6.2 Areas of positive work identified by HMICFRS include:

- NFRS has made significant progress in improving its efficiency. The change in governance and additional support from central government has allowed it to stabilise and secure its financial position, both now and in the future. It has successfully established an adequate level of reserves and can demonstrate a balanced budget over the duration of its Medium-Term Financial Plan (MTFP).
- NFRS now has a clear rationale when allocating resources to its prevention, protection and response functions. This is clearly linked to risks identified in its IRMP. The Service then uses a strong performance management framework to ensure these resources perform efficiently against objectives in the IRMP.
- The governance change has actively introduced new opportunities for collaboration. These have given the Service the capacity and capability it needs to modernise the organisation. A joint enabling services function with Northamptonshire Police now provides functions including fleet, estates and Information and Communications Technology (ICT). HMICFRS did note that NFRS should make sure it comprehensively monitors, reviews and evaluates the benefits of this collaboration.
- HMICFRS did find that the service's ICT infrastructure is not fit for purpose and is significantly hampering staff productivity. However, NFRS has plans in place to address this, but it should make sure this continues to be an important priority.

4.7 People

4.7.1 This area looks at work such as promoting the right values, ensuring fairness, and encouraging diversity. HMICFRS found that the Service requires improvement across this pillar but had improved to a 'good' at getting the right people with the right skills.

4.7.2 The inspectorate noted that NFRS leadership team is showing "strong strategic intent" to push forward in this area of work;

4.7.3 Areas of positive work identified by HMICFRS include:

- Senior leaders show strong strategic intent to improve the culture, embed values and promote Equality, Diversity and Inclusion (EDI).
- A high proportion of staff members understanding the Service's values.
- NFRS has a range of appropriate policies and procedures to manage workforce concerns such as grievances and disciplines.
- The Service is making progress in embedding the new national Core Code of Ethics. We heard how it is integrating the code into policies, training and performance conversations.
- The Service continues to have effective wellbeing policies in place that are available to staff. A significant range of wellbeing support is available to support both physical and mental health.
- The Service continues to have effective and well understood health and safety policies and procedures in place.
- A culture of continuous improvements is promoted throughout the Service and staff are encouraged to learn and develop.

4.7.4 Within the people pillar, the inspectorate rated the Service as 'requires improvement' in the area of 'ensuring fairness and promoting diversity';

4.7.5 The Service was subsequently issued with a cause of concern in this area.

4.8 Cause of concern detail:

4.8.1 HMICFRS stated that the Service hasn't made enough progress since the last inspection to improve EDI and made the following recommendations:

- Engage with its staff to develop clear EDI objectives and training to increase awareness of EDI and its importance across the organisation, including understanding and addressing the impact positive action is having on staff;
- Make sure it has robust processes in place to undertake equality impact assessments and review any actions agreed as a result;
- Make improvements to the way it collects equality data to better understand its workforce demographic and needs;
- Support staff and managers to confidently challenge and manage inappropriate behaviour.

5 Service response

5.1 In response to the report the Service has produced two action plans; one (which is publicly available on NFRS website) to address the Cause of Concern, and one to address all other areas for improvement.

5.2 Each action has been assigned a strategic lead and is monitored through regular working group meetings lead by an Assistant Chief Officer and reported through the Service Assurance Board (SAB) process and at the Fire Executive Group (FEG).

- 5.3 To assist in the delivery of the cause of concern action plan, the Commissioner was presented with a business case seeking financial support, additional resource and a change in the reporting structures;
- 5.4 As a result of that business case, the Commissioner has agreed to the funding of a Senior Equalities Officer (now appointed); an additional operational role (internal secondment) to assist the Senior Equalities Officer in delivering and embedding the EDI and the improvements required; and funding for a third party organisation to deliver face to face EDI training to all staff within the Service.
- 5.5 The preferred option for structural positioning identified within the business case for delivery of EDI on behalf of the Service was within HR; that move is in transition;
- 5.6 All areas for improvement have been added to Area and Departmental Business Plans and are reported on through the Quarterly Assurance Reviews, and to the quarterly SAB.

Appendix A

Question	This inspection	2018/19
 Effectiveness	 Good	Requires improvement
Understanding fires and other risks	 Good	Good
Preventing fires and other risks	 Good	Requires improvement
Protecting the public through fire regulation	 Good	Requires improvement
Responding to fires and other emergencies	 Good	Inadequate
Responding to major and multi-agency incidents	 Good	Requires improvement
Question	This inspection	2018/19
 Efficiency	 Good	Requires improvement
Making best use of resources	 Good	Requires improvement
Future affordability	 Good	Requires improvement
Question	This inspection	2018/19
 People	 Requires improvement	Requires improvement
Promoting the right values and culture	 Requires improvement	Good
Getting the right people with the right skills	 Good	Inadequate
Ensuring fairness and promoting diversity	 Requires improvement	Requires improvement
Managing performance and developing leaders	 Requires improvement	Requires improvement



Joint Independent Audit Committee

14th December 2022

AGENDA ITEM: 10

REPORT BY	OPFCC/NCFRA Chief Finance Officer
SUBJECT	Joint Independent Audit Committee (JIAC) - Agenda Plan – Updated October 2022
RECOMMENDATION	To discuss the agenda plan

1. Background

- 1.1 The agenda plan incorporates statutory, good practice and agreed scrutiny items and has been updated to reflect any items suggested.
- 1.2 A February 2023 workshop date and topic is to be determined and meeting dates post July 2023 are to be arranged.

ROLLING AGENDA PLAN 2022/23

		frequency required	5th October 2022	1 st November workshop – Fire accounts	29 th November Workshop – Police Accounts	14th December 2022	February 2023 workshop Date TBD	15 th March 2023	19 th July 2023
	Confirmed agenda to be circulated		19/08/2022			04/11/2022		01/02/2023	07/06/2023
	Deadline for reports to be submitted		22/09/2022			01/12/2022		02/03/2023	06/07/2023
	Papers to be circulated		27/09/2022			07/12/2022		08/03/2023	12/07/2023
Public	Apologies	every meeting	Apologies			Apologies		Apologies	Apologies
Public	Declarations	every meeting	Declarations			Declarations		Declarations	Declarations
Public	Meetings log and actions	every meeting	Meetings log and actions			Meetings log and actions		Meetings log and actions	Meetings log and actions
	JIAC annual report	Annually							JIAC annual report
Restricted	Meeting of members and Auditors without Officers Present	once per year	Meeting of members and Auditors without Officers Present						Meeting of members and Auditors without Officers Present
Public	External Auditor reports	every meeting Once a Year – Plan, Once a Year ISA260 and one a Year Annual Audit Letter (timescale Accounts dependent)	External Auditor reports			External Auditor reports		External Auditor reports	External Auditor reports – written End Annual report
Public	Internal Auditor reports (progress)	every meeting	Internal Auditor progress reports			Internal Auditor progress reports		Internal Auditor progress reports	Internal Auditor progress reports
Public	Internal Audit Plan and Year End REport	twice a year for NFRS and PCC & CC						Internal Audit Plans	Year End Reports
Public	Update on Implementation of internal audit recommendations	twice a year for NFRS and PCC & CC	Audit implementation update PFCC and CC			Audit implementation update NFRS		Audit implementation update PFCC and CC	Audit implementation update NFRS
Public	HMICFRS updates	1 per year per organisation				NFRS – HMIC Update		CC - HMIC update	NFRS – HMIC Update
Restricted	Risk register update (including current		PFCC Risk register (including current			CC Risk register (including current		NCFRA Risk Register (including current	

		frequency required	5th October 2022	1 st November workshop – Fire accounts	29 th November Workshop – Police Accounts	14th December 2022	February 2023 workshop Date TBD	15 th March 2023	19 th July 2023
	risk policy as an appendix)		risk policy as appendix)			risk policy as appendix)			
Public	Fraud and Corruption: Controls and processes	Once a year for NFRS and PCC & CC	NFRS - Fraud and Corruption: Controls and processes			Policing - Fraud and Corruption: Controls and processes			
Public	Budget plan and MTFP process and plan update and timetable	annually for all	NFRS, CC and PCC - Budget plan and MTFP process and plan update and timetable						
Public	Statement of accounts	annually for all (subject to audit timescales)	External Audit Update		(subject to audit timescales)	External Audit Update		External Audit Update	External Audit Update
Public	Treasury Management Strategy	annually for all						NCFRA, CC and PCC - Treasury Management Strategy and Mid Year Update	
Public	Attendance of PCC, CC and CFO	annually for all							
Restricted	Enabling Services (including new system arrangements)	twice a year	Enabling services update					Enabling services update	
	Benefits realisation							Benefits realisation (PB)	
Restricted	Systems implementation								Verbal update – systems implementation (including review of new finance systems)

RED: Areas Identified following discussion with Chair from 2021/22 JIAC Workplan Objectives