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

JOINT INDEPENDENT AUDIT COMMITTEE

15th March 2023 10.00am to 12.30pm

Microsoft Teams virtual meeting

If you should have any queries in respect of this agenda, or would like to join the meeting please contact:

Louise.Sheridan@northantspfcc.gov.uk
or
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

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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 (pg 5)	Meetings and Action log 14th December 2023	Chair	Reports	10:10
	Internal Auditor Progress Reports		Reports	10:15
4a (pg 11)	PFCC & CC	Mazars		
4b (pg 22)	NCFRA	JF		
5 (pg 29)	Internal and External Audit Appointment Updates and Fire and Police 2023/24 Internal Audit Plans	HK	Report	10:35
	External Audit update			10:45
6a	PFCC & CC	EY	Verbal	
6b (pg 32)	NCFRA	EY	Report	
7 (pg 73)	Policing – Internal Audit recommendations implementation update	PB/Richard Baldwin (RB)	Report	11:00
8 (pg 96)	Police – HMICFRS recommendations update	PB/Sarah Peart (SP)	Report	11:15
9	Feedback from the Risk workshop	Chair	Verbal	11:30
	Treasury Management Strategy 2023/24			11:40
10a (pg 107)	Policing	VA	Report	
10b (pg 131)	Fire	NA	Report	
11 (pg 155)	Agenda Plan	HK	Report	11:55
12	AOB	Chair	Verbal	12:00
13	Confidential items – any	Chair	Verbal	12:05
	Resolution to exclude the public	Chair	Verbal	12:05
	Items for which the public be excluded from the meeting: 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: *“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".			
14 (pg 158)	Fire Risk Register	RP/JO	Report	12:10
15 (pg 165)	Enabling Services Update	PB	Report	12:20
16	Future Meetings held in public 10am-12.30pm: - 15th March 2023 - 19th July 2023 Proposed Meetings held in public 10am-12.30pm - 13th September 2023 - 6th December 2023 Future Workshops not held in public: - Final Accounts Workshops – TBC when external audit dates agreed			12:30

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:

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

or by email to:
Louise.Sheridan@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 –14th 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), 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); Nick Alexander Head of Joint Finance Enabling Services (NA)

External Audit EY – Elizabeth Jackson (EJ); Julie Kriek (JK); Dev D'Souza (DD'S)

Mark Lunn – Internal Audit (Police) Mazars (ML); Jacinta Fru – Internal Audit (Fire) - MK (JF),

Agenda	Issue	Actions	Comments/ actions
1	Welcome and apologies (Covered by ABR)		Nicci Marzec – Director for Early Intervention Monitoring officer OPFCC (NM),
2	Declarations of Interests		None
3	Meeting Log and Actions – 14th October 2022	**ACTION: OCT 22 Notes** **PB to follow up with corporate development for information**	1. ABR Covered the Log and Actions until AB was able to join due to connection issues 2. JH asked if there was an update on benchmarking with other forces from the discussions at the October meeting about the RUI IA recommendations report– PB to pick up under actions at next meeting 3. Agreed as true record.
4	Internal Auditor Progress Reports 4a PCC & CC		4a 1. ML advised all three collaboration reports had bene finalised since the report was written. That is the first time all regional collaboration reports have been completed in draft within the year and meetings booked to discuss them that is a positive outcome. 2. End of Q3/start of Q4 is a busy part of the year. Core Financials, Risk Management and Disaster Recovery are underway. They were slightly delayed due to staff sickness but will be completed by year end.

			3. ML advised HK and VA had asked for an extra piece of work on MFSS/Balance Transfer to give assurance on the new system which Mazars were supporting with. 4. ABR said that a lot of audits were in Q4 and was ML confident they would be completed? ML advised he was and had auditors available, but completion was subject to the audited staff being available. 5. HK advised with Police and Fire External Audits still ongoing and a lot of activity on Internal audits for Fire and Police and Fire onboarding onto the new finance system in April as well as usual BAU, it was going to be a challenging time. 6. HK felt there should be sufficient audits completed to enable an end of year Head of Internal Audit Report to be issued. 7. ABR asked to consider audits being more evenly spread in 23/24. ML advised if Mazars still have the contract he would work with HK and VA to do so. 8. HK advised whilst they will aim to do so, but the IA plans cannot be considered in isolation of the EA work and timing of core financials audits for example and other BAU activities. 9. AB asked about the timing of the Data Quality Audit. ML confirmed a January start.
	4b.NCFRA	**ACTION: HK to liaise with JF and ML and provide an update to members on the internal audits underway** **(COMPLETED – HK emailed members with an update on 22/12/22)** **see action for narrative of that update)**	4b 1. JF confident that Q3 audits have commenced and Q4 will be tight but she will work with HK to ensure they are completed. 2. JF advised the safeguarding audit had been completed and there were some issues identified, nationally and locally which need taking forward by operational management. 3. Apart from that other audit work is coming up satisfactory or good which is good progress. 4. JF added that the auditors have also completed the NFI work and will work with officers on the results. 5. JH asked whether the Q4 planning dates also meant completed in that time. JF advised if they start them early enough and all information is available, they aim to complete them within that quarter but it is there as a guide. 6. EW and members asked questions on the safeguarding audit and process which JO and PB responded to. 7. JH asked if audits were rolled into the next financial year. JF advise that since COVID some audits did continue and were completed in the following financial year, although fieldwork was often completed in the financial year. 8. AB and JH expressed concern about not all audits being completed by 31/3/23 and queried whether it would cause problems for future years.

			9. HK advised that yes there are a lot of audits to fit in but she would work with ML and JF to ensure the plans were all complete. With fieldwork done by 31/3 but recognising as is the case each year that the final reports often come in after 31/3/23. *“On 22/12/22 HK Advised:* *There are quite a lot of audits still in progress, the timing of internal audits are often affected by the timing of external audits. This year is no different where internal audit plans have been affected by the external audits.* *However, in talking with Jacinta and Mark after the meeting, audits have been moved forward where possible in both fire and policing following the Oct JIAC and both feel the plans are still achievable.* • *It does mean that in some occasions the final reports will filter through after 31/3 but most of the fieldwork will be completed before that and* • *It also does require the services to make staff available.* • *If there are unexpected situations Vaughan and I will prioritise the audits remaining so that the ones where we do need the key assurances would be undertaken first* *Both auditors are committed to completing the plan and this is consistent with all internal* *audit approaches we have experienced in fire and policing where internal audit provision potentially changes - it is the same as for external audit - the work is completed.* *So at this stage we are assured that sufficient audit work will be completed to give the corporation soles the assurance they require and for a head of internal audit opinion report to be completed and will keep in close liaison throughout the next few months.”*
5	Audit Recommendations – implementation update NCFRA		1. JO presented the report and advised that the report was prepared before the Safeguarding audit was finalised. 2. JO advised that quite a lot of actions have now been closed off and took questions. 3. JH raised a query on the Grenfell Tower IA report and in particular additional requirements around protection .KB advised that those requirements are progressing and being managed with firefighters and community groups engagement. Firefighters are sharing that knowledge and expertise wider in the county.

			4. AB raised a question about the data quality and PB advised that NCFRA had been running with one analyst for some time and that was moving to ES to ensure resilience and capacity, and using systems.
6a 6b	External Audit Update 2020/21 and 2021/22 PFCC & CC NCFRA		6a. 1. EJ explained she was the new partner but as a new partner coming in it means she had to review the audit file again. NH and the previous manager had left and it needed to start momentum again. Just before he left NH had some queries from EY Assets team and PFCC and EY valuers have different views so further work is required in that area. 2. EJ confirmed that the EY had not progressed and concluded as they had wished and also EJ explained that based on EY valuers they would likely require the PPE values to be changed as some of the values were 18/19 but by the time of doing the audit the world has moved on and values have changed significantly. 3. JH raised queries about the costs of different partners picking up work which EJ responded to. 4. All members raised concerns about the delays and EJ updated on the state of the audit sector, the requirements and the challenges of resourcing that had all contributed. By audits taking longer , things changed and additional work was often required. EJ provided assurance that things would be progressed as soon as they could be, all were committed to doing so. 5. HK advised that all were frustrated about the length of time the audit has taken but NH and EJ have worked proactively with us to try and take things forward. On valuations like other orgs we used to have a rolling programme for the accounts – for Fire and from 22/23 for Police, we have a 100% valuation every year as it is no longer worthwhile to do a sample. We will work to progress the valuations with EY and come to a resolution and conclude the audit as soon as possible for all. 6b. 1. DD'S presented the audit plan and updated on the progress of the audit that he had been the lead for. DD'S advised that Most of the work is done, it is just a few bits holding us back. For example, the pension fund auditor from Grant Thornton. Once EY receive that response, most of the work should be done by the next JIAC meeting. You know, it is just few things to close off. 2. EJ advised that the County Council 20/21 accounts are not signed by EY which means that GT are unable to sign the pension fund for 21/22. EJ confirmed there are still areas of the 20/21 NCC accounts EY disagree with, however GT have started their work n pension fund assurance. If so, then that may give an earlier deadline for the IAS19

			report than I advised HK previously. EY will progress to finalise the audit as soon as they have the pension fund assurances. 3. EJ advised that it is a really good clean set of accounts and the audit has gone smoothly. 4. HK thanked EJ and JK and DD'S for all their hard work on the audit and those of the finance team who have worked well. 5. AB and other members thanked all for the assurances and progress.
7	Police Fraud and Corruption: Controls and Processes	**ACTION – HK/KO Consider timing of next Fraud and Corruption reports in due course when NFI exercise has been concluded.**	1. VA presented the report and confirmed it was a similar structure to previous years. VA highlighted the code of ethics and the NFI initiative. 2. AB asked when the results were available for the NFI. VA advised the matching and exercises to review any queries take place into 2023. 3. AB queried whether the timing of the report should be changed so it can include the results of the NFI. 4. EW and members thanked VA for the comprehensive report. 5. ML clarified how the matches work for NFI and whether there were any concerns. VA confirmed from previous matches no concerns were raised.
8	NCFRA HMICFRS Update		1. KB presented the report and highlighted that good progress was being made. 2. ABR raised a question about completion of recommendations and whether some had been missed. KB updated that some dates had been moved to 2023 and talked about how monitoring of actions was progressed. 3. PB raised how some of the governance and monitoring for the cause of concern takes place and HK added that the PFCC also seeks regular updates to consider whether progress is being made on the actions. 4. AB advised that the HMICFRS cause of concern was not very positive part of the report but reflected that there appeared to be progress in other areas and that monitoring was happening.
9	Feedback from the Accounts Workshop		1. All members discussed the workshops and how the members had gone through the accounts in detail gone through on the day. They noted the COVID conversations in the accounts narrative and reflected they may not be there in future years. They also highlighted a few presentational things. 2. HK and VA both advised how it was helpful from their perspective and was a good chance to meet the Joint Finance Team and reflect their hard work on them. 3. EJ had offered to attend but as she was on leave HK was happy for her not to on that occasion but EJ confirmed she is happy to attend in the future.

10	Agenda Plan		1. All agreed with consideration to move F&C papers to post NFI exercises. 2. Action above refers.
11	AOB		1. PB advised MR has secured a new role and a replacement would be appointed in due course. 2. AB and members expressed their appreciation for MR's work and wished her well.
12	Confidential items – any		1. HK advised the members on the progress and next steps of the Internal Audit Recruitment
13	Police Risk Register		1. Members discussed the Police Risk Register.

Police, Fire & Crime Commissioner for Northamptonshire & Northamptonshire Police

Internal Audit Progress Report

Presented to JIAC: 15th March 2023

Contents

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 is accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Current progress

2022/2023

We are pleased to inform the committee that the final report for Balance Transfer audit has been issued and the Core Financials and Positive Action audits have also been issued in draft report. See Appendix A3 for full details.

As noted and discussed at the last JIAC quarters 3 and 4 have proved to be a busy and challenging period for the organisation and we have worked closely with the OPFCC and Force to ensure that we were able to maintain momentum in regards to completion of the 2022/23 Internal Audit Plan. Whilst it is appreciated that at this stage in the year the committee would expect to see more final reports, it can be assured that the fieldwork, for all of the audits in the plan, are largely completed and at the time of writing all the audits in the plan are close to completion. A detailed list of the status of each audit is provided below:

- Core Financials – final clarification points following draft report issue
- Positive Action – awaiting management comments to finalise
- MFSS Follow Up – delay in getting required information, now received and being reviewed by Mazars
- Information Management – Exit Meeting held, Mazars carrying out quality review before draft report issue
- Risk Management – Exit Meeting held, Mazars carrying out quality review before draft report issue
- Data Quality – Delay due to staff sickness, later stages of fieldwork
- Estates Management – Fieldwork is progressing
- MTFP - Fieldwork is progressing
- IT Disaster Recovery – delays in gathering information, then staff leave as well. Fieldwork completed draft report to follow shortly

The Firearms Licensing audit was scheduled for March 23, however upon planning with the key contacts, it was noted that the team where undergoing some changes and therefore it has been agreed through discussion with OPFCC and Force Senior Management that this audit will be deferred into the 23/24 Internal Audit plan and a date at the end of April has already been agreed.

In regard to the 22/23 Collaboration Audit Plan, the three remaining audits of EMSOT Closedown, Digital Currency and Performance Management have all been issued in draft and are pending management responses. EMSOT Closedown required some further work following the issuance of the report and audit are currently re-evaluating the information provided before progressing this report further. Likewise the Performance Management audit was also discussed with the regional collaboration manager and audit are awaiting the management comments. The Digital Current audit required a wide range of responses and these are being actively chased to enable this report to be progress to final. 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.	66% (6/9)
5	Issue of final report	Within 5 working days of agreement of responses.	86% (6/7)
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.	192% (11/12)
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	Jan 23		Mar 23	Draft Report Issued
Positive Action	Q3	Feb 23		Mar 23	Draft Report Issued
Information Management (automated decision making)	Q4			Jun 23	Fieldwork Completed
Risk Management	Q4			Jun 23	Fieldwork Completed
Data Quality	Q3			Jun 23	Fieldwork Ongoing
Estates Management	Q4			Jun 23	Fieldwork Ongoing
MTFP	Q4			Jun 23	Fieldwork Ongoing
Reasonable Adjustment	Q4			Jun 23	Fieldwork Completed
Firearms Licensing	Q4				Deferred
IT Disaster Recovery	Q3				Fieldwork Completed

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.**

Balance Transfer

Overall Assurance Opinion	Significant

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	-
Priority 3 (Housekeeping)	-

In addition to the Internal Audit Plan for 2022/2023 for the Office of the Police, Fire and Crime Commissioner for Northamptonshire and Northamptonshire Police, we have undertaken an audit of the controls that were in place for the transfer of balances between finance system.

The specific areas that formed part of this review included: controls and checks within the project when moving between the two systems, controls and checks for moving data between the two systems in regard to financial statement balances and controls for ensuring accuracy of opening and closing balances.

From the work carried out within our review on the transfer of opening and closing balances between Fusion and Unit4, we validated that controls and checks were in place and operated well across the areas of this review.

As part of our audit, we confirmed that the project to move to Unit4 included appropriate controls and checks. This included segregation of duties in the preparation, review and approval of the Final Fusion Trial balance comparison. It also included variance reports in order to explain any differences and correct any errors, which ensured that all valid balances and any data were correctly and accurately transferred between Fusion and Unit4.

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	Draft Report Issued

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.

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Agenda Item 4b

Internal Audit and Counter-Fraud Progress Update

JACINTA FRU, CHIEF INTERNAL AUDITOR

15 March 2023

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 1 December 2022 – 28 February 2023.

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 28 February 2023 100% of the Planned audit work was either complete, or at an advance stage of progress.

2.2 There has been good progress on delivery of planned audits during Q4, and for the 6 audits in progress, Committee are assured that more than half will be completed by 31 March 2023 when the contract agreement ends, with arrangements in place with management for the others to be completed soon afterwards.

2.3 Plan Performance as at 28 February 2023:

NCFRA AUDIT PLAN 2022-23	**Number of Audits**			
	Plan	**Draft/Final Report**	**In Progress**	**Not Started**
Strategic Reviews	3	2	1	0
Operational Reviews	3	0	3	0
Key Financial Reviews	4	4	0	0
ICT	2	0	2	0
Risk Management review	1	1	0	0
2021-22 Brought Forward Audits	3	3	0	0
TOTAL Audits	**16**	**10**	**6**	**0**
	100%	63%	37%	0%

2.4 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. Reports with limited assurance opinion (poor controls/compliance) or with substantial assurance opinion (Good controls/compliance) are highlighted to Committee.

2.5 Since the last Committee meeting, one report has been finalised where the opinion for system design and/or compliance with procedures is substantial. **A substantial** opinion was given on the controls design and compliance with controls, over the Financial Controls Environment Audit. The audit concluded that financial processes were robust, and the timeliness, accuracy and regularity of the reconciliations demonstrated that financial information was accurate, reliable and enabled informed decision making.

2.6 The table below provides a precis of the objectives of the audits to be undertaken and the associated key risks. The audit review for People & Culture Strategy Implementation has been scaled back to reviewing controls over the migration of data to the shared HR system, in light of ongoing changes to merge services with those of the Police Force.

Audit Area	Objectives and Risk
STRATEGIC • Corporate Governance Framework -Nolan Principles • Key Policies and Procedures – Safeguarding end to end review of policies and compliance. • Target Operating Model - Performance Monitoring Framework	**Objective(s)** To test and provide assurance on the strategic governance arrangements, that they clearly and formally record NCFRA organisational management **Risks(s)** Reputational Risks
OPERATIONAL SERVICES • Project Management Governance (key projects to be confirmed) • People & Culture Strategy Implementation: • Contract Management – review of monitoring of adequacy of supplier H&S arrangements.	**Objective(s)** To test and provide assurance for those key priority areas of operational performance / improvement. **Risk(s)** organisational objectives not achieved
KEY FINANCIAL SYSTEMS • Accounting systems (AP/AR)	**Objective** To provide assurance on the effectiveness of financial management

Audit Area	Objectives and Risk
• Payroll • Budget Management • Financial Control Environment (G/L; Bank rec; TM; VAT; Pensions) Including new arrangements with the Police force.	procedures and arrangements to ensure the integrity of the financial statements. **Risk** Financial and Fraud risks
RISK MANAGEMENT Attendance at Strategic Risk Register Quarterly meetings. Provision of Risk workshops as requested	Review and testing of implementation of actions noted.
ICT Systems Security – Cybersecurity arrangements: • Network infrastructure security • Privileged access control	**Objective** To provide assurance that IT systems and infrastructures are secure and that the arrangements to support business continuity are robust. **Risk(s)** Data protection and reputational risks

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 or errors, have been released by the Cabinet Office. The Counter Fraud Team are currently reviewing and investigating payroll and accounts payable matches with relevant management.

3.3 Some key findings arising on the payroll to payroll match investigations include some Wholetime firefighters were also working in neighbouring fire and rescue services as on call firefighters and vice versa. Implications as per HMICFRS safe working hours.

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 28 February 2023

AUDIT TITLE	STATUS	PROGRESS	Quarter Work Allocated	Assurance Rating	
				System	Compliance
	Plan - 2021/22				
Payroll	Final Report	100%	Q1	Good	Good
Accounts Payable /Accounts receivable	Final Report	100%	Q1	Good	Good
Target operating -performance framework	Final Report	100%	Q1	Good	Good
	Plan - 2022/23				
Key Policies and Procedures-Safeguarding	Final Report	100%	Q2	Satisfactory	Limited
Financial Control Environment (G/L; Bank rec; TM; VAT; Pensions)	Final Report	100%	Q2-Q4	Substantial	Substantial
Corporate Governance Framework -Nolan Principles	Final Report	100%	Q2	Good	satisfactory
Budget Management	Final Report	100%	Q3;	Good	Satisfactory
Risk Management review	Completed	100%	Q1- Q4	N/A	N/A
Payroll	Draft Report	90%	Q3	Good	Satisfactory
Accounting systems (AP/AR)	Draft Report	90%	Q4	Good	Good
Project Management Governance (key projects to be confirmed)	In progress	45%	Q3		
People: Data Migration	In progress	25%	Q4		
ICT Privilege Access controls	In progress	15%	Q2		
Network infrastructure security	In progress	15%	Q3		
Target Operating Model - Performance Monitoring Framework	In progress	15%	Q4		
Contract Management – monitoring of supplier H&S arrangements.	In progress	15%	Q4;		

Joint Independent Audit Committee

15th March 2023

AGENDA ITEM: 5

REPORT BY	**OPFCC/NCFRA Chief Finance Officer**
SUBJECT	Internal and External Audit Procurement and Appointment Updates and Fire and Police 2023/24 Internal Audit Plans
RECOMMENDATION	To discuss the report

Background

1. This report updates the JIAC on:

    a. External Audit procurement and appointments from 2023/24, and

    b. Internal Audit procurement and appointments from 2023/24, and an update on Fire and Police Internal Audit Plans for 2023/24.

External Audit Current Arrangements and Future Appointment

2. The current external Auditors for NCFRA, the PFCC and CC are EY and were appointed from 2018/19 to 2022/23 for all PCC and CCs and FRAs in the East Midlands. They were appointed following the national procurement process coordinated by Public Sector Audit Appointments (PSAA) for those bodies who opted in.

3. Until Local Government Reorganisation (LGR), EY were also the auditors for the County, District and Borough Councils in Northamptonshire. This approach enabled the same auditor to be appointed for the local government pension fund as the main public sector bodies.

4. When West and North Northamptonshire authorities were established on 1 April 2021 as part of LGR, their external auditors changed to Grant Thornton.

5. An update was provided to the JIAC in March 2022 that following a review of the options available, the three organisations of NCFRA, PFCC and CC had decided to opt-in to the PSAA procurement for External Audit Services from 2023/24.

6. In October 2022, PSAA announced the outcome as follows:

> ***“Procurement outcome and consultation on auditor appointments***
>
> *On 3 October 2022 we announced the outcome of our procurement of audit services for the 470 (99%) opted-in bodies for the audits from 2023/24 to 2027/28.*
>
> *We offered contracts to six suppliers including retaining three existing suppliers, Grant Thornton, Mazars and Ernst & Young. We welcomed KPMG back to the market and new suppliers, Bishop Fleming and Azets Audit Services.*
> *We will consult on the proposed fees for the audit of 2023/24 accounts in autumn 2023. Bodies should anticipate a major re-set of fees involving an increase of approximately 150% of total audit fees (scale fees plus fee variations), noting that the actual fees will depend on the amount of work required. So if your 2022/23 total audit fees are expected to be £100,000, your 2023/24 total audit fee is likely to be approximately £250,000.”*

7. In October 2022, all three organisations were advised that Grant Thornton UK LLP were the proposed appointment. This was confirmed on 19 December 2022.

8. Contact is expected from GT shortly although it is envisaged they will be unable to commence their work until conclusion and handover of 20/21 (Police) , 21/22 and 22/23 audits (all services) by EY.

9. Changes in external auditors takes some time and EY will still be the auditors for the 2022/23 accounts. Therefore, as with previous changes, the two S151 officers will work closely with both sets of auditors to deliver existing audits and facilitate the transition as smoothly as possible.

Internal Audit Procurement

10. As members may recall, the East Midlands 5 PCC’s and CC’s and Northamptonshire Fire have led on the establishment of a procurement framework for Police and Fire Internal Audit services.

11. Following a robust procurement process, led by Derbyshire PCC, Mazars have been appointed.

12. The framework contract will be signed by Derbyshire PCC in early March and once completed all organisations will then contract separately.

13. Work has already commenced in Northamptonshire and the Tender Award Contract documentation to appoint Mazars is ready to take forward as soon as the framework contract is in place.

14. With Fire moving onto shared in-house systems from 1/4/23, it is anticipated that all three organisations in Northamptonshire will be able to benefit from economies of scale and efficiencies from the appointment.

Internal Audit Services and Plans

15. For Police, there will be no change to the auditor and Mazars will continue to deliver the 2022/23 plan and the Head of Internal Audit Report as soon as possible after year end.

16. For Fire, MK Internal Audit Team have worked with NCFRA since they were established on 1 January 2019. They have built a good knowledge of the organisation and have been key to improving the internal control framework and providing management assurance since that time.

17. MK Internal Audit have continued to deliver their scheduled audits and are committed to delivering their Internal Audit Plan for 2022/23 and the Head of Internal Audit Report as soon as possible after year end. In previous years, the final Head of Internal Audit reports have been received in May and considered at the July JIAC meeting.

18. Although the contracts are not yet in place, initial discussions have already taken place with both Fire and Police teams and longlists of audits to inform Internal Audit Plans for 2023/24 and key areas for 2024/25 have been produced.

19. Mazars and the two S151 officers will consider and align both plans with a view to identifying efficiencies where possible.

20. This will enable the Internal Audit Plans for Fire and Policing for 2023/24 to be finalised as soon as possible after the contract is in place.

21. Once complete and approved by the PFCC, the plans will be shared with the JIAC members electronically for their initial comments and considerations. The plans will be included on the agenda of the July 2023 to enable a fuller discussion if required.

Northamptonshire Commissioner Fire & Rescue Authority
Audit Results Report

Year ended 31 March 2022

March 2023

Building a better
working world

2nd March 2023

Northamptonshire Commissioner Fire and Rescue Authority

Dear Joint Independent Audit Committee members (JIAC)

Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Joint Independent Audit Committee (JIAC). We will update the JIAC at its meeting scheduled for 15 March 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion. The list of outstanding matters to conclude on our audit is shown at Appendix C.

Our responsibilities are to report to those charged with governance, who is the Police, Fire and Crime Commissioner as the corporate sole. The Joint Independent Audit Committee consider our audit results report on behalf of the PFCC and make appropriate recommendations to the corporate soles on the results of our audit and on the authorisation of the financial statements

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Northamptonshire Commissioner Fire and Rescue Authority's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the JIAC, PFCC, other members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the JIAC meeting 15 March 2023.

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.psaa.co.uk/audit-quality/statement-of-responsibilities/).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 April 2018)" issued by the PSAA 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 Joint Independent Audit Committee, and management of Northamptonshire Commissioner Fire and Rescue Authoritythose 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 Audit Committee and management 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 Executive Summary

Executive Summary

Scope Update

In our Audit Planning Report presented at the 14th December 2022 Joint Independent Audit Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan, with the following exception:

- **Changes in materiality:** There have been no changes made to our materiality assessment from the planning phase of the audit as materiality was determined at that stage on the draft 2021/22 financial statements. Our materiality measure was based of gross revenue expenditure, our overall materiality assessment remained at £0.825m. Performance materiality remains at 75% of overall materiality, £0.619m, and our threshold for reporting misstatements of £0.041m.

Status of the audit

We commenced our audit of the Authority's 2021/22 financial statements on 7th November 2022. At the date of this committee meeting, we have made good progress and our audit work in respect of the Authority's opinion is substantially complete. We will provide a verbal update on the latest position at the date of this meeting.

Details of each outstanding item, actions required to resolve and respective responsibilities are included in Appendix C.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence in review and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.

We would like to thank the finance team at the Authority for the cooperation and assistance we have received during the course of the audit.

Audit differences

We will agree the final schedule of audit adjustments with management prior to issuing our audit opinion. To date, we have identified immaterial disclosure differences in the draft financial statements which we will discuss with management to determine whether they will adjust or not. These differences are not significant enough to draw to your attention. As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report which are material in nature.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020, we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 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; 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.

Status of the audit - Value for Money

Since issuing the Audit Planning Report, we have now completed our value for money (VFM) risk assessment and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. The documentation of our judgements is subject to final quality review procedures. Subject to this, we have substantially completed our VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of June 2023 as part of issuing the Auditor's Annual Report.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

The WGA instructions were issued in February 2023 and the Authority is a below threshold body. We have completed the required procedures for this level and plan to issue our certificate ahead of the 31 March 2023 deadline.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of Northamptonshire Commissioner Fire and Rescue Authority. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	**Findings & Conclusions**
Misstatements due to fraud or error	We have not identified any issues in relation to management overridden of controls in relation to fraudulent financial statement postings.
Inherent risks	Findings & Conclusions
Valuation of other land and buildings	We have not identified any material misstatement of the valuation of land and buildings. We have performed reasonableness checks of the work performed by the Authority's finance team, and also for the work of the external specialist (WHE) – no issues were noted.
Pension liability valuation	We tested the Authority's pension liability valuation and assessed the work of the Authority's actuary, Hymans Robertson LLP (LGPS) and Government Actuary's Department (GAD) for FFPS (Pension Funds Actuary). Based our audit procedures performed to date, we have identified two errors relating to the top up grant and commutation and lumpsum retirement benefits which will be corrected by the Authority. Our matters to report to date are included in Section 2. However, we are awaiting receipt of the IAS19 assurance letter from the auditor of Northamptonshire Pension Fund and this is expected during March 2023. We are unable to conclude our work in relation to this risk until we have received and documented our assessment of this letter.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Independent Audit Committee or Management.

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

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 and Ireland) 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 did we do?

In response to this risk, we:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
    - Testing journals at year-end to ensure there are no unexpected or unusual postings. This included searching for inappropriate journals posted by senior officers; journals with certain narrative descriptions which may allude to override; journals that do not balance to nil; and material journals posted at year end. We were satisfied that those journals tested did not contain evidence of management override.
    - Undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land and buildings valuation, and the pension liability) and substantively testing unusual or unexpected transactions. No evidence of override was identified, and no unusual transaction have been identified from work completed to date.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Journal entries subject to specific narrative descriptors, posted at certain times of the financial year or by certain individuals, and journals which exceed certain values;
- Material accounting estimates, such as the valuation of land and buildings, and pensions liability; and
- Unusual transactions anywhere in the financial statements.

What are our conclusions?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Authority's financial position, or that management had overridden control.

We have completed our journals testing. We are satisfied that journal entries had been posted properly and for genuine business reasons.

We have reviewed material estimates and did not identify any indication of misstatements due to fraud.

There were no material unusual transactions identified.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Valuation of Land and buildings The value of other land and buildings in PPE represent significant balances in the Authority's accounts and are subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet. At 31 March 2022, the value of Land and buildings in PPE was £34.624 million; (2020/21: £31.482 million)	We: ▸ Considered the work performed by the Authority's external valuer (Wilks Head Eve – WHE), and confirmed that the scope of the work performed is adequate, they had the appropriate professional capabilities to complete the work and the results of their work is in line with our expectations. ▸ Challenged the assumptions used by the Authority's valuer by reference to external evidence and our EY valuation specialists (EYRE) guidance. This included considering significant or unusual movements in valuation and review of the overall valuation methodology adopted by the Authority's valuer (WHE) by EYRE. ▸ Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre). ▸ Confirmed the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer. ▸ Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation. ▸ Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

What are our findings and conclusion?

We are satisfied with the base assumptions used by the Authority and WHE for the valuation of land and buildings. Our recalculations, by the use of external sources and market data, is in line with expectations - no issues noted.

Areas of Audit Focus

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Pension liability valuation 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 the Northamptonshire Pension Fund. 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. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. 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.	We: ▸ Liaised with the auditors of Northamptonshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Authority and were satisfied they had been properly prepared and therefore represented a sound base for the actuaries work; ▸ Assessed the work of the LGPS pension fund actuary and the Firefighters pension fund actuary, 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 considered reviews by the EY actuarial team; and ▸ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our findings and conclusion?

Our work is in not yet complete as we have not yet received the assurance report from the Northamptonshire Pension Fund auditor, Grant Thornton.

As our work in this area is in progress, we will update the Joint Independent Audit Committee if any issues arise as a result of the completion of this work. There are no issues arising to date from the work performed that we need to bring to your attention.

03 Audit Report

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE COMMISSIONER FIRE & RESCUE AUTHORITY

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE COMMISSIONER FIRE & RESCUE AUTHORITY - DRAFT

Opinion

We have audited the financial statements of Northamptonshire Commissioner Fire and Rescue Authority for the year ended 31 March 2022, under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Movement in Reserves Statement;
- Cash Flow Statement;
- Related notes to the Financial Statements 1 to 26; and
- The firefighters' pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial position of Northamptonshire Commissioner Fire and Rescue Authority as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Draft Audit Report

Our draft opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. Chief Finance Officer is responsible for the other information contained within the Accounts for the year 2021/22.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and A Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Draft Audit Report

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As stated more thoroughly in the Statement of Responsibilities set out on page 14, the Chief Finance Officer is responsible for the preparation of the Accounts for the year 2021/22, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We understood how Northamptonshire Commissioner Fire & Rescue Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

Draft Audit Report

Our draft opinion on the financial statements

Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified management override of controls to be our main fraud risk.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire year end population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the Northamptonshire Commissioner Fire and Rescue Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Northamptonshire Commissioner Fire and Rescue Authority l put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Northamptonshire Commissioner Fire and Rescue Authority had in place adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Draft Audit Report

Our draft opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Northamptonshire Commissioner Fire & Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of the Northamptonshire Commissioner Fire and Rescue Authority as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Northamptonshire Commissioner Fire and Rescue Authority members as a body, for our audit work, for this report, or for the opinions we have formed.

Elizabeth Jackson (Partner-in-charge)

For and on behalf of Ernst & Young LLP

Luton

DATE

04 Audit Differences

Audit Differences

Audit differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and

Amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation. We will report all audit differences above our reporting nominal threshold of £0.041 million.

Summary of adjusted and unadjusted audit differences

Our work in some areas of the audit is still in progress, but as of the date of this report we have identified any adjusted audit differences exceeding the reporting threshold.

Adjusted differences:

1) Overstatement of the top up grant by £229k which results in an increase in the Receivables and the Income Statement by the same amount. This impacts both the Authority and the Firefighter Pension Fund.
2) Overstatement of the commutation and lumpsum retirement benefits and receivable from HMRC by £541k, which results in an increase in the Receivables and the Income Statement by the same amount. This impacts both the Authority and the Firefighter Pension Fund.

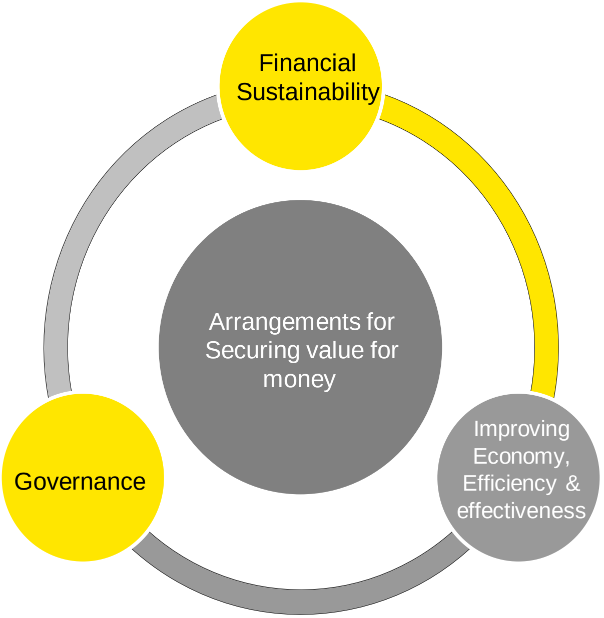
Unadjusted differences:

(3) We have identified that the Authority has not included any Financial Instruments disclosures in the notes to the financial statements which is not in compliance with the CIPFA disclosure checklist as the Authority has material borrowings and investments. This is being discussed with management.

To date, we have identified immaterial disclosure differences in the draft financial statements, which have been discussed with management and has been agreed will be adjusted. These differences are not significant enough individually to draw to your attention in this report. As our some of our work is in progress or still subject to review we will update the JIAC in the next meeting.

05 Value for Money

Value for Money



Auditor responsibilities

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; 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 Authority's 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 its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its 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 its arrangements for securing value for money from their use of resources.

Status of our VFM work

In our Audit Planning Report we had not completed our initial risk assessment, but upon conclusion of our planning work we have not identified any significant risks. We have considered your arrangements related to financial sustainability, governance, and improving economy, efficiency and effectiveness in line with the Code 2020 requirements and are satisfied that the Authority has sufficient arrangements in place during 2021/22.

Our work on the VFM commentary is in progress, and anticipate reporting our commentary on the arrangements in place to achieve value for money in June 2023.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2021/22, and information published with the financial statements, was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, and thus, we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the NAO.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. The Authority is below the £2bn threshold so detailed work will not be required. We have plan to issue our certificate by before the 31 March 2023 deadline.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.

07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity

Services provided by Ernst & Young

The next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

EY Transparency Report 2022

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-ended 30 June 2022:

EY UK 2022 Transparency Report | EY UK

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.

	Final fee 2021/22	Planned Fee 2021/22	Final Fee 2020/21
	£	£	
Scale Fee – Code work	25,000	25,000	25,000
Planned recurrent fee variation reflecting the underlying level of additional risk at the Authority	25,096 (2)	25,096 (2)	5,522 (1)
Additional work required to respond to the requirements of ISA540, including the use of EY Pensions (3)	6,900 (3)	1,900	1,947 (1)
Value for Money arrangements (3)	5,000 (3)	5,000	5,068 (1)
Additional risk based fees (4)	TBC	TBC	2,000 (1)
Total fees	**TBC**	**TBC**	**39,537**

Note 1**:** The 2020/21 Code work includes an additional fee of £14,536.50, which relates to additional work undertaken to address the risks identified during the ahead. This additional fee has been approved by PSAA.

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 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: For 2021/22 the planned fee represents the base fee, i.e. not including any extended testing, which will be impacted by a range of factors included in our audit planning report which will result in additional work. We set out an estimate of the potential additional fee for this below. The issues we have identified at the planning stage which will impact on the fee include:

- Additional procedures as part of the NAO's commentary on VFM arrangements. Range determined by PSAA of £5,000 to £9,000. We determined that your risk is at the lower end of the range.
- The need to engage EY Pensions to review assumptions used in the Pensions IAS19 liability. The new auditing standard ISA 540 introduced for the 2020/21 audit requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. The additional fee for this work is £5,000.
- Additional procedures required by ISA 540 on all accounting estimates. Fee determined by PSAA of £1,900 for Fire Authority's. We determined that your risk profile is in line with this fee.
-

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.

All fees exclude VAT

08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

There were no significant changes to our audit approach apart from the additional work we were required to undertake to address the requirements of the new auditing standard on accounting estimates. This primary impacted out audit procedures on:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE)
- Pension liability and asset valuation.

Appendix B

Required communications with the Audit and Standards Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		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	▸ 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	Audit Results Report – March 2023 Annual audit report – June 2023

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: ▸ 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 – June 2023 Audit Results Report – March 2023
Misstatements	▸ 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 – June 2023 Audit Results Report – March 2023
Fraud	▸ 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 – June 2023 Audit Results Report – March 2023
Related parties	▸ 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 – June 2023 Audit Results Report – March 2023

Appendix B

Required communications with the Joint Independent Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ 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	Audit planning report - December 2022 Annual audit report - June 2023
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Annual audit report - June 2023 Audit Results Report - March 2023
Consideration of laws and regulations	▸ 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 - June 2023 Audit Results Report - March 2023
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Annual audit report - June 2023 Audit Results Report - March 2023

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 – June 2023 Audit Results Report – March 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Annual audit report – June 2023 Audit Results Report – March 2023
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Annual audit report – June 2023 Audit Results Report – March 2023
Fee Reporting	▸ 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 – December 2022 Audit Results Report – March 2023 Annual audit report – June 2023

Appendix C

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Going concern disclosures	Final review processes and challenge of the Authority's going concern assessment and cash flow projections.	EY and Management
Review of estimates	Final review processes and challenge of the Authority's higher risk estimates relating to PPE and Pensions liability.	EY
Property, plant & equipment valuations	Work is complete, subject to final review.	EY
Value for Money	We have completed our work in respect of the conclusion, subject to final review. We are yet to complete the VfM commentary which will be included in a subsequent report.	EY
Pension Liability	We are awaiting the pension assurance letters from the Grant Thornton auditors of the Northamptonshire Pension Fund.	EY
Final review of completed audit procedures	EY to complete – this comprises our remaining quality review procedures of the audit working papers by the Engagement Manager and Partner-in-Charge.	EY
Receipt and review of the final version of the financial statements	Authority to prepare final version of accounts and EY to check	EY and Management
Update of subsequent events procedures to the date of our opinion	EY to complete at point of signing	EY
Receipt and review of the letter of representation	The Authority to prepare letter on headed paper and EY to review	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in section 3.

Appendix D

Management representation letter

Draft Management Rep Letter

Ernst & Young
400 Capability Green
Luton,
Bedfordshire,
LU1 3LU,
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of the Northamptonshire Commissioner Fire and Rescue Authority ("the Authority") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the Authority financial statements give a true and fair view of the Authority financial position of the Northamptonshire Commissioner Fire and Rescue Authority as of 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of the Authority's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the Authority financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are free of material misstatements, including omissions. We have approved the Authority financial statements.

3. The significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.

4. As members of management of the Authority, we believe that the Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 for the the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 for the Authority that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit

Appendix D

Management representation letter

Draft Management Representation Letter

and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Authority's financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [*specify reasons for not correcting misstatement*].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the Authority financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters involving financial statements;

- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the Authority financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Authority committees, including the Fire Accountability Board (FAB), and Joint Independent Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date]

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Authority financial statements.

Appendix D

Management representation letter

Draft Management Representation Letter

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter of 25 February 2022 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Authority financial statements.

2. We have no possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have considered all liabilities related to litigation and claims, both actual and contingent, and guarantees given to third parties but have none to disclose.

E. Going Concern

1. The Statement of Accounting Policies on page 16 to the Authority's financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the Authority financial statements or notes thereto.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Accounts for the year 2021/22.

2. We confirm that the content contained within the other information is consistent with the financial statements.

Appendix D

Management representation letter

Draft Management Representation Letter

I. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Authority financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

1. We have properly recorded or disclosed in the Authority financial statements the useable and unusable reserves.

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the Authority financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the Authority financial statements).

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

(i) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities), none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the Authority financial statements or as a basis for recording a loss contingency.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land, buildings and IAS19 pension liabilities, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M Estimates

Valuation of Land and Buildings Estimate

1. We confirm that the significant judgments made in making the valuation of land and buildings estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

Management representation letter

Draft Management Representation Letter

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings estimate.
3. We confirm that the significant assumptions used in making the valuation of Land and buildings estimate appropriately reflect our intent and ability to provide an accurate valuation of the Authority's land and buildings on behalf of the Authority.
4. We confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings.

IAS 19 Pensions Liability Estimate

6. We confirm that the significant judgments made in making the IAS 19 pensions liability estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
7. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 Pensions Liability estimate.
8. We confirm that the significant assumptions used in making the IAS 19 pensions liability estimate appropriately reflect our intent and ability to provide an accurate valuation of the Authority's pensions liability.
9. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
10. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 pensions liability.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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(Chief Finance Officer)

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(Chief Fire Officer)

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(Chair of the Joint Independent Audit Committee)

Appendix E

Implementation of IFRS 16 Leases

In previous reports to the Audit Committee we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Authority until 1 April 2022. However, officers should be acting now to assess Authority's leasing positions and secure the required information to ensure The Authority will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The Authority needs to agree on certain policy choices. In particular: ▸ Whether to adopt a portfolio approach ▸ What low value threshold to set and agree with auditors ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Authority is lessee; and potentially for sub-leases, where the Authority is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

Agenda Item: 7

Report to the Joint Independent Audit Committee
15 March 2023

Internal Audit Recommendations Summary Report

RECOMMENDATION

The Committee is asked to note this 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 Northamptonshire Police and the Office of Northamptonshire Police, Fire and Crime Commissioner and East Midlands Collaboration Units.

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

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

2 NORTHAMPTONSHIRE AUDITS

2.1 Overall Status

- The report shows in 2020/21, 2021/22 and 2022/23 a total of eighteen audits have been completed, making fifty-two audit recommendations. Of those fifty-two recommendations:
  - Forty-seven recommendations have been completed and are closed.
  - Four recommendations remain ongoing.
  - One recommendation is marked as overdue.
  - Further details regarding mitigation activity and progress updates can be found within the attached report, Quarterly Summary of Internal Audit Recommendations Report – February 2023.

3 OVERVIEW

3.1 2020/21 Audits

- Nine audits have been completed making thirty recommendations.

- Across all nine audits, a total of twenty-nine recommendations have been completed and are closed.
- One recommendation has not reached its implementation date and is ongoing.
- No recommendations are marked as overdue.

3.2 **2021/22 Audits**

- Seven audits have been completed making eighteen recommendations.
- Across all seven audits, a total of sixteen recommendations have been completed and are closed.
- One recommendation has not reached its implementation date and is ongoing.
- One recommendation has passed its implementation date and is marked as overdue.

3.3 **2022/23 Audits**

- Two audits have been completed making four recommendations.
- Of those four recommendations, two have been completed and are closed.
- Two recommendations have not reached their implementation date and are ongoing.
- No recommendations are marked as overdue.

4 COLLABORATION AUDITS

4.1 **2022/23 Audits**

- Three audits have been completed making a total of five recommendations.
- Three recommendations have been completed and are closed.
- Two recommendations remain ongoing.

EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS
None

HUMAN RESOURCES IMPLICATIONS
None

RISK MANAGEMENT IMPLICATIONS
None.

ENVIRONMENTAL IMPLICATIONS
None

Author:	Richard Baldwin, Strategic Development, Risk and Business Continuity Adviser
Chief Officer Portfolio Holder:	Paul Bullen, Assistant Chief Officer
Background Papers:	Quarterly Summary of Internal Audit Recommendations February 2023.

INTERNAL AUDIT RECOMMENDATIONS DASHBOARD

Summary of Audit Outcomes

Audits are graded as No Assurance, Limited Assurance, Satisfactory Assurance or Significant Assurance. Some thematic audits are advisory only and not graded. Recommendations are prioritised as Priority 1 (Fundamental), Priority 2 (Significant) or Priority 3 (Housekeeping) to reflect the assessment of risk associated with the control weaknesses.

Northants Audits

2020/21

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	**Priority 2**	**Priority 3**
Fleet Management	27 August 2020	Limited Assurance	0	5	2
Procurement	02 December 2020	Limited Assurance	1	2	0
Health & Safety	23 February 2021	Limited Assurance	1	3	1
GDPR Follow Up	10 May 2021	Limited Assurance	1	0	0
IT Security	04 May 2021	Limited Assurance	2	1	1
Core Financials	01 March 2021	Significant Assurance	0	0	3
Workforce Planning	26 April 2021	Satisfactory Assurance	0	4	0
Performance Management	16 June 2021	Significant Assurance	0	0	1
Governance	05 November 2021	Satisfactory Assurance	0	1	1

2021/22

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	**Priority 2**	**Priority 3**
Released Under Investigation	16 August 2021	Limited Assurance	1	3	2
Seized Property	07 September 2021	Satisfactory Assurance	0	1	2
Data Management	22 March 2022	Satisfactory Assurance	0	1	1
Business Change	01 March 2022	Limited Assurance	1	2	0
IT Security	22 April 2022	Limited Assurance	1	0	0

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
GDPR Follow Up	22 April 2022	Significant Assurance	0	0	0
Health & Safety Follow Up	12 July 2022	Satisfactory Assurance	0	2	1

2022/23

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Released Under Investigation Follow Up	TBC	Limited Assurance	1	0	2
Complaints Management	03 August 2022	Significant Assurance	0	1	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	RED	AMBER	GREEN
Fleet Management	7	CLOSED		
Procurement	3	CLOSED		
Health & Safety	5	CLOSED		
GDPR Follow Up	1	0	1	0
IT Security	4	CLOSED		
Core Financials	3	CLOSED		
Workforce Planning	4	CLOSED		
Performance Management	1	CLOSED		
Governance	2	CLOSED		
Totals	**30**	**0**	**1**	**29**

2021/22 AUDITS	RECOMMENDATIONS MADE	RED	AMBER	GREEN
Released Under Investigation	6	CLOSED		
Seized Property	3	CLOSED		
Data Management	2	CLOSED		
Business Change	3	CLOSED		
IT Security	1	0	1	0
GDPR Follow Up	0	CLOSED		
Health & Safety Follow Up	3	1	0	2
Totals	**18**	**1**	**1**	**16**

2022/23 AUDITS	RECOMMENDATIONS MADE	RED	AMBER	GREEN
Released Under Investigation Follow Up	3	0	2	1
Complaints Management	1	CLOSED		
Totals	**4**	**0**	**2**	**2**

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 superceded by later audit action

2020/21

GDPR Follow Up – February 2021

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**ICO Action Plan** The Force has engaged well with the ICO acknowledging its shortcomings, weaknesses in controls, insufficient resources and dealing with backlogs. To this end the Force has committed to a Data Protection Action Plan following an audit by the ICO in September 2020. The progress of this action plan is regularly assessed both internally and by the ICO with the most recent update being in January 2021. This most recent update demonstrated considerable progress has been made but further work is required to address the remaining outstanding actions. A further review by the ICO is planned for May 2021. *Risk:* The Force is unable to demonstrate progress to the ICO and compliance with regulations, leading to further action including potential fines.	The Force should maintain its focus on the completion of the outstanding actions within the ICO/Data Protection Action Plan.	**1**	Recommendation accepted and already incorporated into the response being made to the ICO as part of their ongoing 2020 audit covering Accountability & Governance, Records Management and Training & Awareness. Level of assurance will be reported upon by the ICO. Update 07/06/2021 - The ICO have confirmed that they won't be returning in September and have received sufficient assurances to allow them to close the audit with 63% of the actions agreed as completed. It is still however the case that we need to complete the remaining actions in good time, and we will be expected to meet the timeframes that we have set for specific pieces of work. It is the case that the outcome of this work will be publicly visible via our website and is therefore available to check by the ICO through open source. One action related to a suite of Infosec policies (action GA05). This has been agreed as completed by the ICO. There are risks that remain and work yet to be completed by the ICO, but the audit will	Interim audit was returned in January 2021 which provided acceptance and closure of 30+ actions. The May interim audit has been submitted but is awaiting response. The audit is due to close September 2021 when assurance should be provided in full.	🟨

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			🟥	not run to September as previously thought. Update 23/08/2021 – Although the ICO closed their audit for the purpose of returning in September, we have continued to work on the outstanding actions from the original plan. Since the ICO finalised their follow up audit we have locally closed another 17 actions, which have been closed as suitably actioned by DCC Nickless, most of which related to the completion of RoPA and associated works required. The intention was to have all remaining actions closed by September (local deadline of 31/08/21) as we would have intended for the ICO. We have continued to push for this and although some of the remaining actions will be closed, a number will remain open and are likely to remain open for some time due to the added complexities we have found since the original audit in relation to records management, however I would suggest that if the ICO were to return and audit these elements further they would be assured that our ongoing work against what we had found in addition to their actions would be evidenced as work in practice and continuous improvement on the original status. For this reason, despite the additional closures and ongoing works, I would suggest that it is appropriate for this RAG to remain at Amber for the time being. Update 17/09/2021 – As above. Update 18/10/2021 – We have continued to work towards the closure of all ICO actions. As work has moved on, we have		🟧

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			🟥	identified greater needs and therefore prolonged timescales although the original essence of the action remains the work around rectification of the matter has changed. To ensure this work continues, it has been cross-referenced in the ICO action plan with a new action raised in the Information Assurance Action Plan as the greater piece of ongoing work. For the purpose of the internal audit register, I would suggest that the RAG remains as amber as the action remains open. Update 10/01/2022 – No change. Awaiting outcome of current audit and then will reassess. Update 10/02/2022 – As above. Update 20/04/2022 – As above. Update 01/07/2022 – As above. Update 02/09/2022 – Risk: Controls, insufficient resourcing and backlogs. Also, ICO audit and additional reviews. Recommendation: Focus on necessary actions regarding ICO requirements and audit action plan. Response: ICO audit has now been closed with actions being addressed either directly or through other works completed. This doesn't mean there isn't further work to do. Information governance moves on and we are now measuring ourselves against the ICO Accountability tracker, this is highlighting new areas of focus, but we are separate to the risk raised here.		🟧

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			🟥	The last remaining actions from the audit were in relation to records management. As these actions were addressed additional risks were identified. These are now all being addressed through the force Record Manager, focusing on the force RoPA and Asset Register and what feeds into that and also comes out of the process this in line is informing the audit plan which is also addressing risks to Information Management. The expansion of the MoPI team looking at the review, retention and deletion of force records is addressing the remaining concerns in relation to records management and although that team expansion is still in the pipeline the budget has been agreed. Estates are expanding the available work area and by the end of September 2022, with a view to being RRD compliant, particularly in legacy data by September 2026. In relation to ICO associated work backlogs, there is no-longer a recordable risk for our force. There is of course always a risk of having backlogs and there is no pattern or trend in our work that allows for prediction and work planning. The current position, at today's date, we have only two overdue requests relating to this risk area. With regard to RAG until the MoPI tram are in place and the project is up and running to address the remaining RM issues I would suggest that we still flag as an amber however all other elements, in my opinion are now green. Timescale: For the remaining element I will put 01/11/22 as being able to report a position in relation to the MoPI team.		🟨

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			🟥	Update 24/11/2022 - The MoPI has started recruitment. A number of agency and FTC positions have been filled and are going through pre-employment checks. The reality is that post holders won't take up their positions until after Christmas now. There are still some vacancies to fill so recruitment is ongoing. To remain as amber. Update 20/01/2023 – MoPI/Legacy Team has been recruited to. Start dates should fall within the next month at which point I would suggest that the work becomes BAU, and the risk will be ever reducing. Amber for now. Hope to sign off as green by 28/02/23.		🟧

Governance – November 2021

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Review of Policies** The OPFCC website contains a section dedicated to the publishing of policies. Audit reviewed the following policies: • OPFCC Code of Conduct • Equality & Diversity Policy • Record Retention Policy • Anti-Fraud & Corruption Policy • Whistle Blowing Policy These policies indicate that they should be subject to review on an annual basis, however this could not be evidenced by a document control section. Due to this, it is not possible to determine when the document was last reviewed and updated.	Policies published on the OPFCC website should be updated to contain a document control section indicating the date that the policy was last reviewed and updated.	**3**	Agreed – a document control section will be added. Update 12/01/2022 – Work is in progress on this recommendation. Update 07/02/2022 – Work is in progress on this recommendation. Mark Stuart has done an awful lot of work on them, so we expect more movement after the March deadline. Update 20/04/2022 – No recommendations have been actioned yet as different priorities took over. Our revised completion date will be the end of May, our aim is to	March 2022 Head of Governance	🟩

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Through discussions with management, it was identified that the main policies and procedures located on the website are reviewed after each publication of the Police and Crime Plan. The last PCC election was undertaken in 2016 and following the elections in May 2021, in line with legislation, the next Police and Crime Plan will be published in March 2022. The review of the Code of Conduct (published 2016), Anti-Fraud and Corruption Policy and the Whistle Blowing Policy (published 2015) since the date of publishing was not evidenced. It is noted that due to a move of the OPFCC headquarters, the Record Retention Policy has now been updated and published on the website, and in addition to this, the Equality & Diversity Policy was updated in June 2020 however this is not evident from the policy itself. *Risk:* Lack of transparency where it is not possible for the public and/or staff to determine whether the policies located on the OPFCC website are still relevant.		🟩	complete them before the next update to the JIAC. Update 07/06/2022 – All policies were reviewed and updated in May 2022. A small number have identified on the website where a further review is underway. Additionally, a sign off and version box has been added to each Policy, Action now complete.		🟩
4.2	**Decision Records** The Decision Making Framework is included as an Appendix to the Joint Code of Corporate Governance and states: *All decisions of Significant Public Interest will require the PFCC to sign a Decision Record, which will be published on the PFCC website within 5 working days of the decision. Alongside the publication of the Decision Record, all material information used to make the decisions will be published, including an officer report to the PFCC in the format specified in the "Supporting Report Template" to the Police and Crime Commissioner", as attached to this appendix.* Audit reviewed a sample of 8 decisions from a total of 40 made in 2021, and it was found that a decision record has been published online for all sampled. In addition to this, at the request of audit, a sufficient	The OPFCC should clarify their publication requirements for decisions set out within the Decision Making Framework. Once agreed, this should be clearly communicated to relevant staff to ensure compliance.	**2**	Agreed – the Decision Making Framework will be reviewed and communicated. Update 12/01/2022 – Work is in progress on this recommendation. Update 07/02/2022 – Work is in progress on this recommendation. Mark Stuart has done an awful lot of work on them, so we expect more movement after the March deadline. Update 20/04/2022 – No recommendations have been actioned yet as different priorities took over. Our revised completion date will be the end of May, our aim is to complete them before the next update to the JIAC.	March 2022 Revised estimated completion date of calendar year. Monitoring Officer/Head of Governance/Chief Finance Officer	🟩

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	level of supporting information was available to justify the decision, however, a supporting officer report had not been published for any of the decisions sampled. Upon review of the remaining 32 decisions published on the OPFCC website, it was also found that none of these were published alongside an officer report. In discussions with management, it was states that the supporting information related to decisions is supplied on request. Furthermore, summaries of every decision are provided to the public meeting of the Police, Fire and Crime Panel where questions are asked and responded to by the PFCC. Management also advised audit that the officer report within the decision-making framework is a template and that certain decisions will be made based on different information. For example, a business case for the purchase of a new building is different to procurement and budgetary information supporting the decision to award a contract extension. A detailed signing report is considered by the PFCC which supports decisions which are made; however, this control was introduced after the introduction of the decision-making framework and therefore is not referenced within it. Audit were provided with copies of these signing sheets as supporting evidence. *Risk:* Where supporting information related to a decision is not published on the OPFCC website, there is a risk of a perceived lack of transparency leading to reputational damage. The PFCC does not comply with the Decision-Making Framework.		🟨	Update 07/06/2022 – The review of the Decision-Making Framework has now been rescheduled for the Summer 2022 which will align with the update of the PFCC website which is being undertaken. Revised timescale for completion end of September 2022. Update 09/08/2022 – Not yet due, it is still envisioned this will be complete by end of September 2022. Update 24/11/2022 - The Decision-Making framework is no longer a separate policy document and is referenced within the corporate governance framework (CGF). The CGF review is scheduled for completion by the end of the calendar year. We will likely have a separate internal procedure note for decisions in due course. Update 04/01/2023 – Whilst the new framework has not yet been finally signed off and published, the review is complete, and the monitoring officer and I have seen an earlier draft of the framework where the relevant section has been updated. As such, we have referred this recommendation to complete.		🟩

2021/22

IT Security – April 2022

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**IT Health Check Remediation** *Observation:* It should be noted that the GIRR is currently expired but has been submitted based on the July 2021 IT Health Check in common with similar forces. Following the July 2021 IT Health Check as of February 2022 the latest tracking figures had the following outstanding issues: • 6 Critical • 13 High • 81 Medium • 10 Low We were informed that work was ongoing to address outstanding vulnerabilities, some of which require long term resolution and they were being actively tracked and monitored, but it was acknowledged that some critical and high issues remained. *Risk:* Vulnerabilities go unresolved presenting risks to the IT security of the organisation.	Vulnerabilities should be addressed or further mitigated as soon as possible to support future GIRR accreditation.	**1**	I am satisfied that this audit report broadly reflects the current position, with some of the specifics having further improved since the Feb data was provided. Submission for GIRR was made in early February; any delay is now outside of our control due to the transition of NPIRMT into PDS. We are now expected to receive a response certificate by the end of May 22. Remaining Critical and High are regularly reviewed but all require significant work, such as major upgrades, but all are being progressed. Update 27/06/2022 – As above. Update 07/09/2022 – The HOB (Home Office Biometrics) CoCo was due to expire 18th August 2022. The Force Position confirmed to HOB we remained in the procurement stage for our ITHC with a date anticipated for end August beginning of September 2022 – leaving the force as non-compliant. NMC within force completes our internal vulnerability scanning. HOB have extended our CoCo certification for a further 6 months to allow the force a timeline to complete our ITHC. We have been advised this has now been procured and we are just awaiting a date. Update 24/11/2022 - The ITHC commenced at the beginning of November and is currently underway, as yet we have no further updates around this Physical security – we had an increase of 1010 reports coming through over recent	April 2023 Information Security Officer	🟨

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			🟥	month with doors remaining open as individuals were leaving buildings. There has been some work with Facilities around this with a push on staff completing ID checks also – design and reprographics have created new posters for around the Force as a whole.		🟧

Health & Safety Follow Up – July 2022

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Health and Safety Policy Statement** *Observation:* The Force maintain a Health and Safety Policy Statement, which sets out the Force's intentions and objectives with regard to Health and Safety. The Health and Safety Manual states that "The Health and Safety Policy statement will be reviewed annually" and that will be "signed annually by The Police, Fire and Crime Commissioner, the Chief Constable and The Chief Fire Officer". During the previous March 2021 audit, we were provided with an unsigned December 2020 statement, and were informed by the Health and Safety Manager that this was at that time in circulation to be signed by the relevant individuals. At the time of this audit, it was noted that this iteration of the statement had been lost, and thus the most recent signed Health and Safety Policy Statement was that signed in November 2019. Through discussions with the Health and Safety Manager, audit was informed that a new statement has been drafted, for review and is due to be signed in June 2022.	The Force should ensure that the review and resigning of the Health and Safety Policy statement is effectively planned and scheduled to prevent delays. The Force should ensure that the statement planned for implementation in June 2022 is saved and made readily available to all relevant individuals.	**2**	The Force can confirm that the Health and Safety Policy Statement for 2022 has been reviewed, updated, generated, and circulated to the 3 parties for signing. The Force can confirm that the statement has been signed by The Police, Fire and Crime Commissioner, the Chief Constable and The Chief Fire Officer and returned to the H&S Manager. The statement has been scanned and is in the H&S files on the W drive and a hard copy is also kept centrally at Darby House in the charge of the H&S Manager. Copies have been circulated to all deputy facilities managers to display at all PFCC properties. Copies of the Health and Safety Policy and signed statement are available on the Health and Safety web pages.	Action completed by 30th June 2022. Health and Safety Manager.	🟩

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Risk: Where the Force's Health and Safety Policy statement is not regularly reviewed and updated, there is a risk that the statement contradicts the current practice or strategy regarding the H&S function at the Force. Staff are unaware of the most current version of the statement, increasing the risk that incorrect procedures are followed.					🟩
4.2	**Health & Safety Manual** *Observation:* During the previous audit, it was noted that the Force have a Health & Safety Manual that is the overarching guidance document. However, several deficiencies were noted in the manual during the prior audit. As the manual has yet to be updated, the previous deficiencies remain. Therefore, the following observations noted in Recommendation 4.2 of the previous audit remain: • *Audit reviewed the manual, and it is noted that it does not provide sufficient guidance to staff and officers in processing key tasks, such as the reporting of an accident or an incident.* • Furthermore, there is no requirement included for a regular review and update of the manual. Since the previous audit, the Force have produced standalone policies including Contractor Management and Occupational Driving to support the Health & Safety Manual, however these are not referenced within the manual. Although it was noted through discussions with the Health and Safety Manager that a new policy document is being drafted for implementation in June 2022, at the time of this audit the Force still use the same Health & Safety Manual.	The Force should ensure that the Health & Safety Manual is reviewed and updated. This should include referencing to the newly produced supporting procedures.	**2**	A full review of the health and safety manual has taken place in consultation with key stakeholders (including heads of department, Federation and Unison). Formal sign approval by Health and Safety Committee took place in May 2022. The committee approved the manual, and it has been uploaded onto the Force library and published on the Health and Safety web pages. Referenced materials for procedures and or/guidance is available and hyperlinked from the new Health and Safety manual to support users.	Action completed by 31st May 2022. Health and Safety Manager.	🟩

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Risk: Insufficient guidance is provided to staff and officers in relation to health and safety. The Force do not meet their health and safety objectives. There is non-compliance to the joint health and safety policy statement.		🟧			🟩
4.3	**Accident Report System** *Observation:* The Force use an internal accident reporting system, that has been developed by the ISD team at the Force, for staff to report any incidents or near misses. Audit confirmed that the system has multiple stages for each accident raised. These include investigation, actions, review, and secondary investigation. The initial investigation is work flowed to the individual's line manager, whilst any actions raised are work flowed to the individuals responsible for implementing that action. A system issue was noted when the investigations are not completed by the originally assigned investigator (line manager) a secondary investigator can be assigned. However, when this occurs the system bypasses the review stage. Therefore, the accident could be closed off without the H&S Team carrying out the quality review. *Risk:* Where accidents are not subject to review by the Health and Safety Manager or by administration staff, accidents may be treated inconsistently, and inappropriate resolutions and/or actions may be raised.	The Force should liaise with the ISD team to ensure that the identified issue with bypassed review stage is addressed.	**3**	The Force have introduced an interim process, so all secondary investigations go to the Health and Safety Manager, D&T have been advised of the long-term change that is required and a submission for D&T developer time has been requested. Health and Safety are awaiting the developer time to implement the long-term change to the process. This will involve adding another step for a final review step and closure. Once implemented, testing will be carried out before a final go live of the changes. Update 16/09/2022 – A service request has been submitted to D&T and we are now waiting for some programmer time to resolve this issue. However, there are more critical issues being addressed at present, which are taking priority. Update 24/11/2022 – As above. Update 24/01/2023 – There is no change to the update of 16/09/2022. Programmer time is still awaited.	December 2022 Health and Safety Manager	🟥

2022/23

Released Under Investigation Follow Up – June 2022

<table>
<tr><th></th><th>Observation/Risk</th><th>Recommendation</th><th>Priority</th><th>Management response</th><th>Timescale/ responsibility</th><th>Status</th></tr>
<tr>
<td>4.1</td>
<td>Longstanding RUIs
<i>Observation:</i> As per previous review, it was identified that it was necessary to prevent longstanding RUIs due to the negative effects they may present to afflicted individuals, particularly for those in the course of undergoing employment or other vetting processes. Below is a summary of the status of longstanding RUIs at the time of our audits.
<table><tr><th></th><th>RUI 1-2 Years</th><th>RUI > 2 Years</th></tr><tr><td>Apr 21</td><td>328</td><td>139</td></tr><tr><td>May 22</td><td>242</td><td>113</td></tr></table>
While it is acknowledged that this is a reduction of 26 and 86 respectively, since April 2021, this remains a large number of individuals RUI'd for extended lengths of time.

Despite the introduction of a review process for longstanding RUI cases and subsequent chasing by the respective Chief Inspectors, these have not been operating effectively to make substantial progress against the backlog. We were informed that this was in part a result of the reviews no longer taking place due to the time they require, in combination with a prevailing culture of Northamptonshire officers to assign RUI to cases as the default.

It is noted that steps are being taken to automate sections of the review process for longstanding RUIs which should assist with addressing the backlog. This responsibility for review of such cases has been transferred to the relevant Chief Inspectors and their teams.</td>
<td>The Force should restart the review process for individuals that have been on RUI for longer than a year to ensure that the current backlog is significantly reduced.

The Force should actively monitor and report on the aged RUI's to ensure that the transfer of responsibility and ownership of the process for reducing longstanding RUI cases to individual Chief Inspectors is effective in reducing longstanding RUI's.</td>
<td>1</td>
<td>The force accepts this recommendation.

Update 14/09/2022 – The Aged RUIs will be reviewed twice yearly as part of the Senior Officer Review process to drive down the numbers. The numbers have been reducing gradually and the risk is not critical, so the current 28-day review process is sufficient to manage this risk.

Update 18/11/2022 - RUI's over 1year are to form the next Senior Crime Review process (December 2022) and then 6monthly. This will be completed, twice a year, where the force senior officers will review as many as cases over the year and will be allocated 5 occurrences to review. This will be in addition to supervisors completing their 28day reviews to ensure the cases are still being moved along, are not stagnating and have proper supervisory oversight. The objective will be to reduce this figure significantly.

Update 16/01/2023 – The Senior Crime Review process has commenced in January. The results/findings will be collated by Supt Tompkins in February and then updated on the next internal audit recommendations.

RUI data is now in the process of produced after Northants moved out of the region. C Supt Rymarz has a meeting on 17/01/23 with analytical team in order for this to be produced.</td>
<td>The first audit will be within 3 months.

December 2022

D/Supt Rich Tompkins</td>
<td></td>
</tr>
</table>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Risk: Individuals on longstanding RUI are not treated fairly and may present a risk of reputational damage to the Force.		🟥	CI's have been sent a spreadsheet of investigations where the suspect has been Released Under Investigation (RUI) for a period of over 1 year. "I am contacting all of you to request that your supervisors review these cases to ensure they still have a RPOC and are in the public interest to proceed. It is possible that some cases just need writing up and filing, RUI's need finalising etc. This is hopefully already being completed during supervisory 28-day reviews but previous cases this was not always the case". This will be repeated every quarter and the next one is set for February 2023.		🟧
4.2	**RUI Concerns** *Observation:* As per the recommendation from the August 2021 review, the Force have taken steps to ensure that RUI corrections identified, as part of the fortnightly review, are recorded on a spreadsheet which will be distributed to Chief Inspectors to cascade to their teams. IA reviewed the RUI Concerns spreadsheet from the first May fortnightly review and found that concerns had been logged, however there is no formalised procedure for identifying repeat errors and addressing these within further training materials. As a consequence, root causes for RUI errors are not sufficiently remedied which may result in slower reduction in the rate of incorrect allocation of RUI to individuals by custody officers. Risk: Repeated errors in processing RUI's are not identified and remedied.	The Force should record the type of error as part of the RUI Concerns Spreadsheet. These recording of error types should be standardised as to allow for effective identification of common errors. Common errors should be utilised when designing future communications and training.	**3**	The force accepts this recommendation. Update 14/09/2022 – This will be part of the training and implementation plan introduced as part of the new Bail Reform Act 2022. There are no control measures necessary to manage any risk. Update 18/11/2022 – This is presently not being processed as Northamptonshire Police are not within the region for this data to be provided. I understand the recommendation but found no value in completing this process previously. A request into the analytical team has been requested in order to support this recommendation and improve the effective identification of common errors. Common errors should be utilised	Within 4 months. January 2023 DCI Andy Rogers	🟧

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				when designing future communications and training. Once developed the high threat harm risk cases will be reviewed by the respective CI and for the spreadsheet to be updated. Update 16/01/2023 – This data set is now being discussed on 17/01/23 with the force analytical team. Once the data is developed the high threat harm risk cases will be reviewed by the respective CI and for the spreadsheet to be updated.		🟧
4.3	**Training** *Observation:* Subsequent to the 2021/22 review, the Force have proactively sought to increase the completion rates of NCALT Bail and RUI training by officers. We reviewed the most recently requested training log and noted that substantial progress had been made to reduce the number of officers yet to complete training from 293 to 152 since the previous review. Whilst it is acknowledged that this demonstrates good progress against the recommendation, it was highlighted to Audit that there was no intention to further proactively pursue the completion of training via regular email chasers. This decision has been made with the expectation of changes to the Bail Act in October 2022, rendering existing training outdated. Audit believe that it would be best practice to continue proactively increasing the completion rate for training to mitigate the risk of bail and RUI being administered inappropriately. *Risk:* Officers in the Force are inadequately trained and RUI's are incorrectly processed.	The Force should ensure Officers complete NCALT Bail and RUI training in a timely manner.	**3**	The force accepts this recommendation. Update 14/09/2022 – This will be part of the training and implementation plan introduced as part of the new Bail Reform Act 2022. There are no control measures necessary to manage any risk. Update 18/11/2022 – The new Bail Reform Act 2022 is now live and as such the present action is not applicable. All Bail/RUI from the October 28th, 2022 is now on the new process. If the old training was repushed it would have a negative impact on the force's response to the new Bail Act and confuse officers. The new Bail Act has a College of Police training video, and this is set to be taken to the force training panel. Update 16/01/2023 – The force training panel have yet to provide an outcome and will be discussed at the next force training panel.	Within 4 months. January 2023 DCI Andy Rogers	🟩

Regional Collaboration Audits

2022/23

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Governance	September 2022	Significant Assurance	0	0	2
Business Continuity	September 2022	Satisfactory Assurance	0	1	0
Risk Management	September 2022	Satisfactory Assurance	0	1	1

2022/23

Governance – September 2022

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Section 22 Agreement** Section 22 of the Police Act agreement enables chief officers of police and local policing bodies as defined in that Act and other parties to make an agreement about the discharge of functions by officers and staff where it is in the interests of the efficiency or effectiveness of their own and other police force areas. It is therefore the underpinning legal documents that sets out how the East Midlands Police Forces set up collaborative units. Following review of the Section 22 Collaboration Agreement from 2020 we confirmed that it includes sections on governance and accountability, and financial contribution. Decision-making, legal duties, workforce arrangements,	EMSLDH should consider adding sections to the Section 22 Collaboration Agreement in respect of decision-making, legal duties, workforce arrangements, and performance and reporting where applicable. For those areas where it is not feasible to dedicate an explicit section on each, it would be beneficial to include additional details on them in the Agreement.	**3**	EMSLDH should consider whether specific sections should be added to the Section 22 Collaboration Agreement in respect of decision-making, legal duties, workforce arrangements, and performance and reporting or detailed as such within the agreement. Update 24/11/2022 - This matter was considered at the Quarterly Regional L&D Management Board chaired by ACO Alastair Kelly 4th November 2022. Following consultation with Legal, CFO's and members of the Management Board it was agreed that no amendments to the should	Paper to be tabled at the Regional L&D Management Board on the 4th of November 2022 for consideration.	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	and performance and reporting are all included within other sections of the agreement but there is no explicit section committed to them. Through discussion with management, we were informed that the Section 22 agreement was reviewed every three years and these changes should be made at the next review. *Risk:* Not all elements are appropriately discussed in the Section 22 Agreement and will be inadequately addressed by the unit.			be made to the structure of EMSLDH's S22 agreement. Rationale is the template used by EMSLDH is consistent with other regional S22 agreements and other national collaboration agreements. No further action.		🟩
4.2	**Decision-Making Responsibilities** The EMSLDH Organisation Governance Chart for senior management details the various roles that are carried out across the Unit. However, our review highlighted that there is a lack of clarity on the decision-making responsibilities for each of the roles that are documented within the chart. Therefore, it is unclear what decision making is able to be carried out by the unit. *Risk:* Decision-making responsibilities are not effectively communicated across the unit and the decision-making process is inefficient and costly for the unit.	Decision-making responsibilities should be added to the EMSLDH Organisation Governance Chart for senior management.	**3**	We support this recommendation and will be providing a paper to the Regional L&D Management Board on the 4th of November 2022 to include decision making responsibilities as part of our Organisation Governance Structure. Update 24/11/2022 - At the Regional L&D Management Board on the 4th of November 2022 the Head of EMSLDH was tasked with updating the governance structure to include decision making responsibilities.	Paper to be tabled at the Regional L&D Management Board on the 4th of November 2022 for consideration.	🟨

Business Continuity – September 2022

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Business Continuity Test Plans** From our testing, we noted that there was a lack of regular testing to ensure that the Business Continuity Plans remain fit for purpose. We found that there were plans for EMSOU to be included on the Nottinghamshire testing schedule for business continuity however, there have been significant delays in this being implemented.	EMSOU should introduce a testing schedule whereby its business continuity plans will undergo regular testing.	**2**	It was originally intended that EMSOU BC tests would fall within the Nottinghamshire Police calendar. However, due to workload this has not been possible. Going forward EMSOU will now set up its own testing calendar with assistance from Nottinghamshire Police. This will ensure	BSU Manager – Calendar to be in place by end of Dec 2022.	🟨

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	As per the previous recommendation 3.3, the lack of a testing schedule for business continuity plans was a previously identified weakness. *Risk:* The Business Continuity Plans are not fit for purpose.			that all areas of EMSOU business are routinely tested. Each HOD & the Head of Unit will be consulted during the testing calendar.		

Risk Management – September 2022

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Risk Management Policy** We reviewed the risk management policy which was last reviewed in March 2021 by the Head of Finance and noted that this policy has not been reviewed in the recent 12 months. In addition, we found that the process for assigning risk owners is not explicitly outlined in the policy. Moreover, as referred to above it is unclear what the expectations is in regard to 'departmental risk registers' across the EMSOU Unit. Furthermore, it was noted that the process for the escalation of departmental risks could have greater clarity in the policy. *Risk:* The Risk Management policy contains outdated information, and the process of allocating risk owners is not consistent across the unit.	EMSOU should review its Risk Management policy and include additional detail to the policy about the process of the allocation of risk owners. The policy should also be updated to clearly state the risk registers that should be in place and how risk registers should be aligned across the unit. In addition, there should be greater detail added to the policy in regard to the process for the escalation of departmental risks.	**2**	A) The Risk Management Policy has now been updated to include the allocation of risk owner's procedure. See section 5.5 B) Section 1.3 has been added to the policy to identify which Risk Registers are required C) The escalation process is outlined in Section 7.2	Complete	
4.2	**Risk Appetite** We noted that EMSOU SOC do not have a clearly defined risk appetite within their Risk Policy. A defined risk appetite would allow the unit to incorporate an acceptable/target score into their risk registers which in turn would provide greater clarity on how the unit is effectively managing its identified risks Any approach would have to be done in alignment with the five forces, however the opportunity to implement this should be explores.	EMSOU should discuss with the Forces how they could approach risk appetite.	**3**	This has been discussed with the Risk Manager at Leics Police, who lead on Risk as per the S22 agreement. It felt that there should not be an acceptable risk appetite level as this may mean that risks are not controlled appropriately or accordingly.	Complete	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Risk: EMSOU do not manage its risks appropriately and mitigating controls are ineffective in reducing the Force’s risk levels.		🟩			🟩

Joint Independent Audit Committee:

HMICFRS Recommendations Update

March 2023
Business Lead: Sarah Peart
Senior Lead Sponsor: Colleen Rattigan
Version 1.0

NORTHAMPTONSHIRE POLICE
Fighting Crime. Protecting People.

The purpose of this report is to update the Joint Independent Audit Committee on the Northamptonshire Police's progress with regards to the recommendations in the 2021 HMICFRS PEEL Review as well as to report on work undertaken to prepare for the planned 2023 PEEL Inspection.

Introduction:

The Force was subject to an HMICFRS PEEL inspection in 2021. The inspection took place over a few weeks during which the performance of the force was assessed against 10 of the 12 core inspection questions. They identified the force as 'Adequate' in 4 areas and 'Requires Improvement' in 6 areas and noted 19 Areas for Improvement (AFI).

Governance of these AFIs is through the HMICFRS Force Executive Meeting (FEM) chaired by the Chief Constable. Business Leads are identified to own and deliver improvements against specific AFIs with a named Chief Officer who has strategic responsibility and oversight.

The management of all AFIs sits within the Strategy and Innovation Unit where information and updates are readily available to Business Leads and the organisation, via a shared portal on the Force Intranet page.

The force has a new HMICFRS Inspection team for PEEL 2023. Early engagement has taken place already and there is open and ongoing dialogue about the progress of improvements made by the force to date, in order to address the AFIs. The first 'in person' meeting took place in early 2023 whereby the HMICFRS were presented updates against each AFI.

Northamptonshire Police HMICFRS PEEL Assessment

2021/22

Our judgments

Our inspection assessed how good Northamptonshire Police is in 12 areas of policing. We make graded judgments in 10 of these 12 as follows:

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

HMICFRS PEEL AFIs – Governance and update

AFI	Self Assessment	SRO	Governance
AFI 1: The force should make sure that its crime allocation policy works to provide the best service for victims, especially vulnerable victims.	**Complete** and to be signed off	ACC Balhatchet	N/A – monitored as BAU
AFI 2: The force should develop a cohesive strategy to integrate its community engagement activities, to ensure the needs of all communities, both geographic and demographic, are identified and addressed.	**Complete** and to be signed off	ACC Tuckley	NPT Board
AFI 3: The force should make sure officers are sufficiently trained and confident in how to use stop and search fairly and appropriately, and that this knowledge is applied during encounters.	**Complete** and to be signed off	ACC Tuckley	Use of Powers Board
AFI 4: The force should improve its external scrutiny processes for its use of force to ensure that it is being used fairly and appropriately.	**Complete** and to be signed off	ACC Tuckley	NPT Board
AFI 5: Northamptonshire Police should make sure its problem-solving fully involves its partner organisations, and is regularly audited, assessed and, where successful, formally acknowledged and recognised.	In progress	ACC Tuckley	NPT Board
AFI 6: The force should improve its workforce's wellbeing by ensuring demand is equitably distributed and managed.	**Complete** and to be signed off	ACO Bullen	Strategic Planning Board/People and Culture (wellbeing link).
AFI 7: The force should develop an effective digital strategy to make sure it can retrieve evidence from mobile phones, computers and other electronic devices quickly enough to avoid delaying investigations.	**Complete** and to be signed off	ACC Balhatchet	Justice Board
AFI 8: The force should maximise its opportunities to engage with and obtain feedback from victims to drive service improvements.	**Complete** and to be signed off	ACC Balhatchet	Confidence and Satisfaction Board
AFI 9: The force should review caller data to make sure that its operating practices enable all repeat and vulnerable victims to be identified, recorded and appropriately supported.	**Complete** and to be signed off	ACC Tuckley	Vulnerability Board
AFI 10: To reduce victimisation and future demand, the force should speed up its plans for integrated offender management. This should include lifetime offender management for serious and organised criminals	**Complete** and to be signed off	ACC Balhatchet	SOC & Serious Violence Board

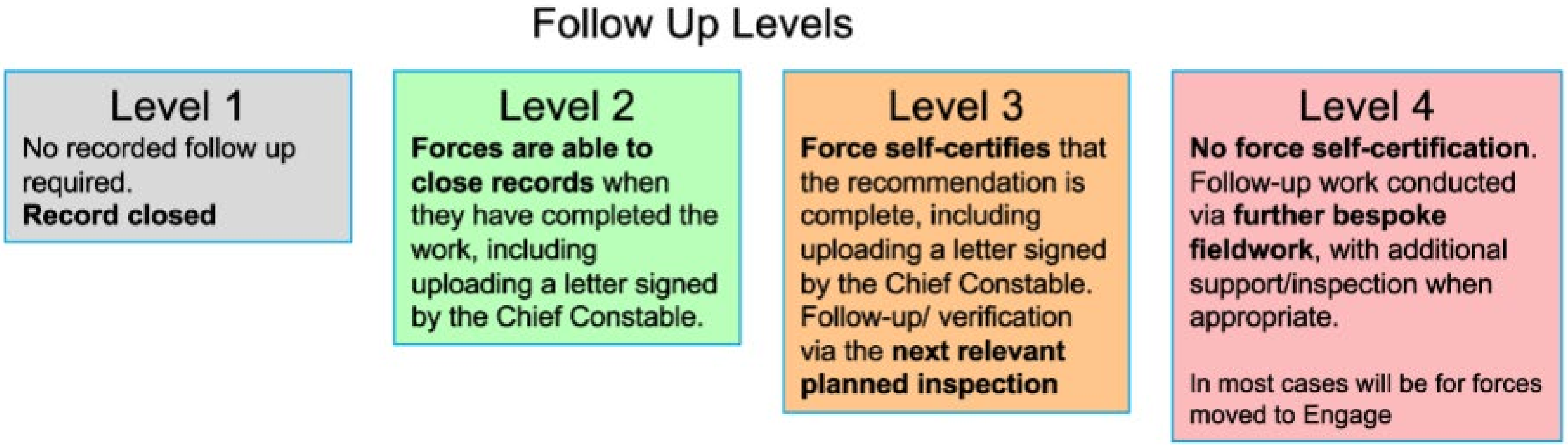
HMICFRS PEEL AFIs – Governance Cont.

AFI	Self Assessment	SRO	Governance
AFI 11: The force should review its current and future investment in digital capabilities for the management of sexual offenders and violent offenders (MOSOVO) and its police online investigations team (POLIT) in order to reduce the risk of harm to the public from sexual offenders.	**Complete** and to be signed off	ACC Balhatchet	SOC & Serious Violence Board
AFI 12: The force should improve its response to serious and organised crime by providing lead responsible officers with the skills, training, and support they need to perform their role effectively.	**Complete** and to be signed off.	ACC Balhatchet	N/a - monitor as BAU
AFI 13: The force should make full use the expertise of financial investigators to identify and disrupt offenders engaged in organised crime.	**Complete** and to be signed off.	ACC Balhatchet	Strategic Ops Board
AFI 14: The force should work with the local resilience forum to ensure that non crime strategic policing threats are identified and have clear governance, and should plan exercises to test preparedness	**Complete** and to be signed off.	ACC Tuckley	Strategic Ops Board
AFI 15: Northamptonshire Police should develop its own Armed Policing Strategic Threat and Risk Assessment (APSTRA) in line with national directions.	**Complete** and to be signed off.	ACC Tuckley	N/a - monitor as BAU
AFI 16: The force needs to clarify the accreditation standards for firearms commanders.	**Complete** and to be signed off.	ACC Tuckley	N/a - monitor as BAU
AFI 17: The force should improve recruitment and retention through targeted activity to make sure the workforce is representative of its local community.	**Complete** and to be signed off.	ACO Bullen	People and Culture Board
AFI 18: The force should make sure that the needs and skills of all its workforce are comprehensively identified, understood, and maintained.	**Complete** and to be signed off.	ACO Bullen	People and Culture Board
AFI 19: The force should improve its change management practices by: • identifying criteria for evaluation and business benefits from the outset; • accurately identifying and managing interdependencies; • regularly assessing progress, including the impact on workforce wellbeing; • tracking benefits and making sure they are realised; and conducting post-implementation reviews.	**Complete** and to be signed off.	ACO Bullen	Change Delivery and/or Strategic Planning

Expectations from HMICFRS in updating progress on AFIs

HMICFRS have noted all AFIs and recommendations, resulting from inspections, on the HMICFRS Monitoring Portal.

In January 2023, the portal and expectations have changed; the HMICFRS has introduced a process for forces to be able to evidence completion against each outstanding AFI and recommendation. There are 4 levels.



Follow Up Levels

Level 1

No recorded follow up required.
Record closed

Level 2

Forces are able to close records when they have completed the work, including uploading a letter signed by the Chief Constable.

Level 3

Force self-certifies that the recommendation is complete, including uploading a letter signed by the Chief Constable. Follow-up/ verification via the **next relevant planned inspection**

Level 4

No force self-certification. Follow-up work conducted via **further bespoke fieldwork**, with additional support/inspection when appropriate.

In most cases will be for forces moved to Engage

This new approach to signing off AFIs is designed to put the responsibility upon forces to provide the necessary evidence via the new portal, with a supporting letter signed by the Chief Constable to outline confidence in all action being taken and the AFI being satisfied.

- Level 2 AFIs and recommendations will close upon the evidence being uploaded.
- Level 3 AFIs and recommendations will require validation from the HMICFRS Force Liaison Lead before being closed.

All 19 AFIs for Northamptonshire Police have been set at level 3.

AFI 5 – update:

Northamptonshire Police should make sure its problem-solving fully involves its partner organisations, and is regularly audited, assessed and, where successful, formally acknowledged and recognised	In progress

There is one AFI (5) that remains amber, this relates to problem solving. The decision was taken to continue to deliver some further work on enhancing the quality of problem solving across the organisation, and with partners, to ensure that the force can confidently sign this off; with the Chief Constable's endorsement.

HMICFRS Inspection readiness – 2023 PEEL

The force created a HMICFRS readiness programme in 2022 which continues to deliver expansive review work; 8 out of 9 areas of the new PEEL Assessment Framework (PAF) have had reviews undertaken and each PAF question has an action plan against a set of recommendations.

Each command has a HMICFRS Lead, two Inspectors seconded to work full time supporting the continuous improvement of this work until September 2023 when the PEEL inspection takes place. In addition to this a Senior Change Manager in HR & The Strategy and Innovation Unit are leading on enabling and corporate force level actions.

This model of delivery for preparedness is working well and recommendations will be monitored through HMICFRS FEM throughout the year, on a monthly basis, with senior leaders present to ensure accountability, grip and ownership of this work.

The actions against each workstream are progressing at pace.

Launched on 8th February 2023, “Proud to be” will form part of a new branded communications campaign to address a number of recommendations across each action plan.

This includes some dedicated weeks and months of action to check the correct branding is displayed across force sites, that officers and staff at every level of the force understand what force priorities are and are better informed about the PEEL inspection and its importance.

Proud to **be**
Proud to **serve**
PEEL23

AGENDA ITEM: 10ai

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

15 MARCH 2023

REPORT BY	Nick Alexander, Joint Head of Finance, Enabling Services
SUBJECT	PFCC - Treasury Management Strategy 2023/24
RECOMMENDATION	To consider the report

1. Background

1.1 The Treasury Management Strategy for Police has been prepared alongside the Capital Programme, the Revenue Budget and Precept and is attached for consideration.

1.2 The Chief Finance Officers are grateful to colleagues in the Joint Finance Team for reviewing and updating the Strategy.

1.3 It is the intention for the Treasury Management Strategy for 2023/24 to be published the strategy on the website by the 31 March 2023, after the PFCC considers the feedback from the JIAC meeting.

1.4 In line with its Terms of Reference (reviewed and updated July 2022), the JIAC undertakes a key role with regards to the Treasury Management Strategy.

2. Recommendation

2.1 It is recommended that the JIAC consider the Strategy and provide comments for the PFCC consideration.

Treasury Management Strategy 2023/24

Northamptonshire Police, Fire & Crime Commissioner (OPFCC)

Author: Joint Finance Team

Version Control: 1

1. Introduction

CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

CIPFA Prudential Code for Capital Finance in Local Authorities

1.2. The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc. and Accounts).

1.3. The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.

1.4. The Police, Fire and Crime Commissioner (PFCC) is required to set and monitor a range of prudential indicators for capital finance covering affordability, prudence, and a range of treasury indicators.

Treasury Management Policy Statement

1.5. The PFCC’s Treasury Management Policy Statement is included in Appendix 1. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Code.

Treasury Management Practices

1.6. The PFCC’s Treasury Management Practices (TMPs) will set out the manner in which the PFCC will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1.7. The PFCC’s TMPs Schedules will cover the detail of how the PFCC will apply the TMP Main Principles in carrying out its operational treasury activities. They are reviewed annually, and any amendments approved by the PFCC’s Chief Finance Officer.

2. The Treasury Management Strategy

2.1. It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year. The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the PFCC’s treasury management activity, including the PFCC’s investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

2.2. The PFCC’s Treasury Management Strategy is prepared in the context of the key principles of the Treasury Code and incorporates:

- The PFCC’s capital financing and borrowing strategy for the coming year
- Policy on borrowing in advance of need
- Policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt
- The Affordable Borrowing Limit
- The Annual Investment Strategy for the coming year, including creditworthiness policies

2.3. The strategy considers the impact of the PFCC’s Medium Term Financial Plan (MTFP), its revenue budget and capital programme, the balance sheet position, and the outlook for interest rates.

2.4. The PFCC regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is detailed within the PFCC’s Corporate Governance Framework.

3. Current Treasury Management Position

3.1. The PFCC’s projected treasury portfolio position at 1st April 2023, with forward projections into future years, is summarised below. Table 1 shows the actual external borrowing (the treasury management operations), against the Capital Financing Requirement (CFR).

3.2. The CFR is the total of outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the PFCC’s underlying borrowing need.

3.3. Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need over each asset’s life.

Table 1: **Forecast Borrowing and Investment Balances**	**2022-23 Forecast £'000**	**2023-24 Estimated £'000**	**2024-25 Estimated £'000**	**2025-26 Estimated £'000**	**2026-27 Estimated £'000**	**2027-28 Estimated £'000**
External Borrowing at 1st April b/fwd	23,300	30,092	36,462	45,213	43,132	39,812
Net Borrowing Requirement to fund Capital Programme	8,013	8,472	12,551	3,233	1,915	2,004
MRP	(1,221)	(2,102)	(3,800)	(5,314)	(5,235)	(5,247)
CFR - Borrowing at 31 March c/fwd	**30,092**	**36,462**	**45,213**	**43,132**	**39,812**	**36,569**
Funds Available for Investment at 1 April b/f	4,000	5,000	5,000	5,000	5,000	5,000
Change in Funds Available for Investment	1,000					
Investments at 31 March c/fwd	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**
Net Borrowing	**25,092**	**31,462**	**40,213**	**38,132**	**34,812**	**31,569**

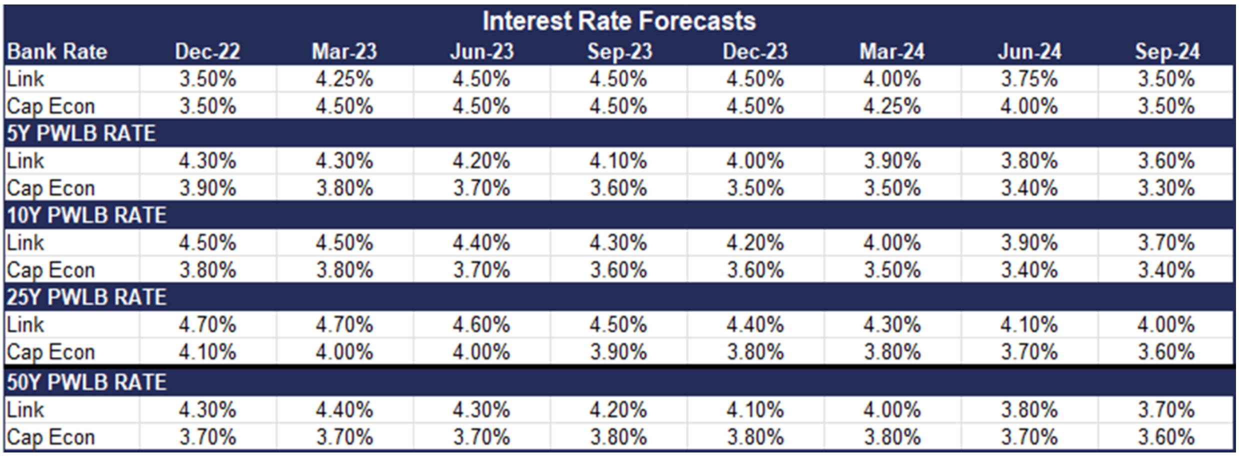
3.4. There are a number of key indicators to ensure that the PFCC operates its activities within well-defined limits. Among these the PFCC needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding years. This ensures that borrowing is not undertaken for revenue purposes except to cover short term cash flows.

3.5. The Chief Finance Officer does not envisage difficulties complying with these indicators based upon current commitments, existing plans, the proposals in this strategy, the budget report, the Capital Programme and the Medium Term Financial Plan.

4. Prospects for Interest Rates

4.1. The PFCC's assessment of the likely path for bank base rate, investment market rates (The London Interbank Bid Rate - LIBID), and PWLB borrowing rates are set out below:

Table 2: Interest Rate Outlook as at 2nd December 2022



Interest Rate Forecasts

Bank Rate	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Link	3.50%	4.25%	4.50%	4.50%	4.50%	4.00%	3.75%	3.50%
Cap Econ	3.50%	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%
5Y PWLB RATE								
Link	4.30%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%
Cap Econ	3.90%	3.80%	3.70%	3.60%	3.50%	3.50%	3.40%	3.30%
10Y PWLB RATE								
Link	4.50%	4.50%	4.40%	4.30%	4.20%	4.00%	3.90%	3.70%
Cap Econ	3.80%	3.80%	3.70%	3.60%	3.60%	3.50%	3.40%	3.40%
25Y PWLB RATE								
Link	4.70%	4.70%	4.60%	4.50%	4.40%	4.30%	4.10%	4.00%
Cap Econ	4.10%	4.00%	4.00%	3.90%	3.80%	3.80%	3.70%	3.60%
50Y PWLB RATE								
Link	4.30%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%
Cap Econ	3.70%	3.70%	3.70%	3.80%	3.80%	3.80%	3.70%	3.60%

4.2. The current economic situation to the UK after September 2022 decisions from Government has resulted in a step interest increase which impacted quarter 3 2022/23. March 2022 the Bank of England base rate increased to 0.75%, to the last increase in December 2022 to 3.5% (at the time of writing). The forecasters are expecting another base rate increase early 2023 to be above 4%, increasing again July 2023 as high as 4.8%. The forecast table above shows the current forecast of the PWLB interest rates from our Treasury Advisors.

4.3. Investment returns are likely to slightly increase in 2023/24 from the interest currently earnt in 2022/23 due to the increase in rates, and remain constant thereafter as the current forecasts are expected to remain for the next 5 years.

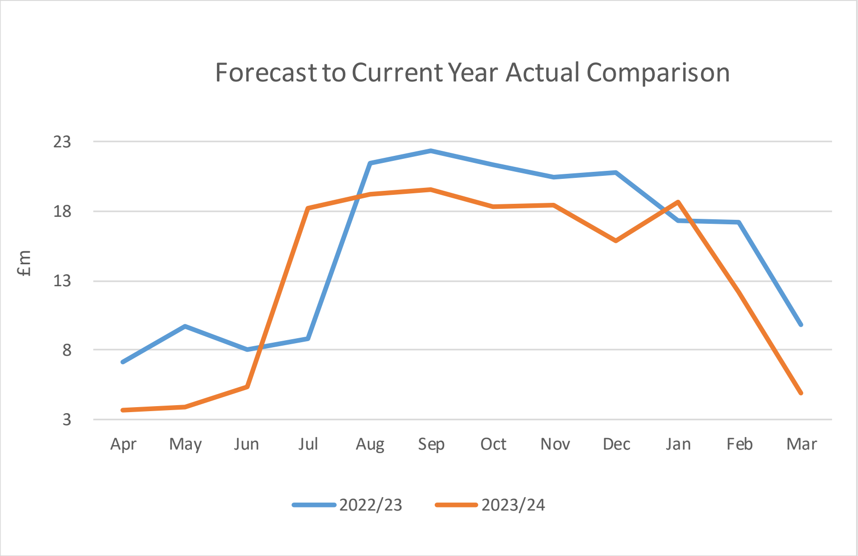
4.4. In March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of PFCC capital expenditure. Following the consultation, the Government published their responses in November 2020 which stated these outcomes:

- PWLB will not lend to a PFCC who intends to buy investment assets primarily for yield
- Reduction to the interest on borrowing on all standard and certainty rates by 100 basis point which took effect from 26th November 2020.

5. Managing daily cash balances and investing surpluses

5.1. In order that the PFCC can maximise income earned from investments, the target for the un-invested overnight balances in our current accounts is usually always lower than £5k. However, if there is an emergency, we are unable to place an investment or it is not prudent or cost-effective to do so, we will maintain any excess balances in the Natwest account in order to safeguard funds.

5.2. At any one time, PFCC has between £1m and £23m (depending on the cash flow of both revenue and capital financing) available to invest. This represents income received in advance of expenditure including reserves. The average cash available to invest throughout 2023/24 is expected to be £13.2m and the comparison of 2022/23 to 2023/24 by month is;.



5.3. As with most local authorities with a high proportion of Payroll vs Supplies and Services expenditure, the PFCC's cash flow is fairly consistent month on month and therefore investable cash balances only significantly deviate when single payments (such as internally funded capital purchases) or large annual income receipts are forecast.

5.4. The decline and increase in cash balances represented above occurs with the:

- Receipt of Police Officers Pension Fund (POPF) grant during July
- The costs associated with the POPF being expended throughout the financial year
- Repayment of PWLB loans and planned borrowing
- Precept income being receivable over the first 10 months of the financial year.

6. Borrowing Strategy

6.1. The overarching objectives for the PFCC's borrowing strategy are as follows:

- To manage the PFCC's debt maturity profile. This is achieved by monitoring short and long term cash flow forecasts in tandem with balance sheet analysis.
- To maintain a view on current and possible future interest rate movements, and to plan borrowing accordingly. This is achieved by monitoring of economic commentary to undertake sensitivity analysis.
- To monitor and review the balance between fixed and variable rate loans against the background of interest rates and the Prudential Indicators. This is achieved by monitoring of economic commentary to undertake sensitivity analysis.

6.2. The PFCC is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), will not be fully funded with loan debt as cash supporting the PFCC's reserves, balances and cash flow has been used as an alernative measure.

6.3. The sources of borrowing;

- PWLB - the OPFCC will receive a Certainty rate which is reduced by 20 basis points (0.20%) against the PWLB standard rate.
- Local Authorities, particularly for short-term borrowing
- NCFRA - this TMS enables that if there is an instance that either NCFRA or OPFCC (Police) has similar term excess of funds when the other entity has a borrowing need, that borrowing can take place from either party. This must be mutually beneficial and hold minimal risk and to provide additional assurance, approval will be provided by both S151 officers or their deputies, so that both parties interests are demonstrably represented. It ensures that interest rates are competitive to the market and no broker fee is payable (historically 10 basis points of the amount borrowed).

6.4. Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Joint Finance Team will monitor interest rates in financial markets and regularly brief the Chief Finance Officer so the PFCC may adopt a pragmatic approach to changing circumstances. For example:

- If it was felt that there was a significant risk of a sharp FALL of 25% or more in long and short term rates (eg. due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings may be postponed and potential rescheduling from fixed rate funding into short term borrowing considered (where appropriate);
- If it was felt that there was a significant risk of a much sharper RISE of 25% or more in long and short term rates than that currently forecast (eg. arising from an acceleration in the start date and rate of increase in central rates in the USA and UK) then the portfolio position will be re-appraised. This may include drawing fixed rate funding whilst interest rates are lower than they are projected to be in the next few years.

7. Prudential & Treasury Indicators

7.1. There is a requirement under the Local Government Act 2003 for Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The Prudential Code was most recently updated in 2021.

7.2. A full set of Prudential Indicators and Borrowing Limits are shown in Appendix 2.

8. Policy on Borrowing in Advance of Need

8.1. The PFCC's policy is to keep cash balances as low as possible and not to borrow in advance of need for capital purposes, whilst ensuring that cash is available to make payments when they become due. However, this policy may be reviewed should it be prudent to do so, subject to support by the Chief Finance Officer.

9. Debt Rescheduling

9.1. The PFCC may reschedule debt if it is prudent to do so. The reasons for any rescheduling to take place may include:

- the generation of cash savings and/or discounted cash flow savings
- helping to fulfil the treasury strategy
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility)

9.2. Any rescheduling activity decision must be recommended by the Chief Finance Officer, and reported in the next Treasury Management report following its action.

10. Minimum Revenue Provision

10.1. The PFCC is required to repay annually an element of its outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (the CFR). This is achieved through a revenue charge known as the Minimum Revenue Provision (MRP). It is also allowed to undertake additional voluntary payments (Voluntary Revenue Provision - VRP).

10.2. DLUHC Regulations have been issued which requires the PFCC to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision. The PFCC is recommended to approve the MRP Policy in Appendix 3 which sets out how MRP will be charged against particular asset types or other forms of capital expenditure.

11. Investment Strategy

11.1. Government guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.

11.2. The PFCC's general policy objective is to invest its surplus funds prudently. As such the PFCC's investment priorities, in priority order, are:

- Security of the invested capital
- Liquidity of the invested capital
- Yield received from the investment

11.3. The PFCC expects to invest all surplus funding and it is forecast over the medium term that interest rate returns are expected to increase. The average cash balances from those is expected to remain consistent with peaks in July following the receipt of grant income with reductions in available levels through to the end of each financial year. An estimate of possible income is as follows, which is higher than the Commissioner's more prudent forecast in the medium term financial plan:

	2022-23 Forecast £'000	2023-24 Estimated £'000	2024-25 Estimated £'000	2025-26 Estimated £'000	2026-27 Estimated £'000	2027-28 Estimated £'000
Interest Rate	3.00%	4.25%	4.00%	3.00%	2.50%	2.50%
Average Investment balance	5,000	5,000	5,000	5,000	5,000	5,000
Forecast Income	150	213	200	150	125	125

11.4. The PFCC's Investment Strategy is shown in Appendix 4.

12. Risk Analysis and Forecast Sensitivity

Risk Management

12.1. The PFCC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the PFCC's approved Treasury Management Practices.

12.2. The Schedule of Treasury Management Practices set out the ways in which the PFCC seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk). Officers will monitor these risks closely.

Sensitivity of the Forecast

12.3. The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the PFCC has no control.

12.4. Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the PFCC's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the Treasury Management Strategy, and in line with the PFCC's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported in the next Treasury Management report.

13. Capital Strategy

13.1. CIPFA's revised 2017 Prudential and Treasury Management Codes requires all local authorities, to have in place a Capital Strategy, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

13.2. The aim of this Capital Strategy is to ensure a full understanding of the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

13.3. The PFCC has a published Capital Strategy which is aligned to the Police and Crime Plan. The Capital Strategy will be reviewed and updated in line with the new Police, Fire and Crime Plan for 2023/24.

14. Treasury Management Reporting

14.1. The PFCC receives two treasury reports as a minimum each year, with a mid-year update as and when appropriate, which incorporate a variety of policies, estimates and actuals:

a) **Treasury Management Strategy and Prudential and Treasury Indicators (this report – essential report)**

This report is forward-looking and covers:

- the capital plans, (including prudential indicators)
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time)
- the treasury management strategy (how the investments and borrowings are to be organised), including treasury indicators
- an investment strategy, (the parameters on how investments are to be managed)

b) **A mid-year treasury management report** (as required)

This is primarily a progress report and updates on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury outturn report (essential)**

This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

15. Treasury Management Budget

15.1. The table below provides a breakdown of the treasury management budget. Minimum Revenue Provision (MRP) charges have been calculated in line with the Policy at Appendix 3:

Table 3: **Treasury Management Budget**	**2022-23 Forecast £'000**	**2023-24 Estimated £'000**	**2024-25 Estimated £'000**	**2025-26 Estimated £'000**	**2026-27 Estimated £'000**	**2027-28 Estimated £'000**
Interest payable on borrowing	496	496	832	1,283	1,452	1,617
Minimum Revenue Provision	1,221	2,102	3,800	5,314	5,235	5,247
Revenue Contribution to Capital Outlay	2,172	200	1,000	1,000	1,000	1,000
Total	**3,889**	**2,798**	**5,632**	**7,597**	**7,687**	**7,864**

15.2. Budget estimates will be revised during the year reflect the further development of capital programme plans and other relevant strategies.

16. Policy on the use of External Service Providers

16.1. The PFCC recognises that responsibility for treasury management decisions always remains with the organisation. The PFCC also recognises there is value in employing an external provider of treasury management services in order to acquire access to specialist skills and advice to support the treasury management function.

16.2. Treasury Management services are undertaken by the Enabling Services Joint Finance Team and the Treasury Advisor is currently Link Group.

17. Future Developments

17.1. Public bodies are having to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to treasury management activities. The Government has already introduced new statutory powers, and regulatory agencies such as CIPFA are introducing policy changes, which will have an impact on treasury management approaches in the future. Examples of such changes are:

17.2. Localism Act

A key element of the Act is the “General Power of Competence”: “A PFCC has power to do anything that individuals generally may do.” The Act opens up the possibility that a PFCC can use derivatives as part of their treasury management operations. The PFCC has no plans to use financial derivatives under the powers contained within this Act.

17.3. Loans to Third Parties

The PFCC may borrow to make grants or loans to third parties for the purpose of capital expenditure. This will usually be to support local economic development, and may be funded by external borrowing.

The PFCC has not lent any funds to third parties and has no plans to do so in the immediate future.

17.4. Proposals to amend the CIPFA Treasury Management and Prudential Codes

CIPFA conducted a review of the Treasury Management Code of Practice and the Prudential Code. This review particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management.

The Capital Strategy will cover non-treasury investments to deal with such purchases, their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake these purchases.

17.5. Impact of International Financial Reporting Standard 9 (IFRS 9)

All public bodies were required to adopt the principles of accounting standard IFRS 9 from 1st April 2018. A key element of this standard is a requirement to set aside financial provision within revenue budgets for losses on financial assets based on potential expected losses (i.e. the likelihood of loss across the asset lifetime). This however does not have a material impact upon the traditional treasury management investments the PFCC will undertake.

18. Training

18.1. The PFCC needs to ensure appropriate training and knowledge in relation to treasury management activities, for officers engaged in treasury activity and those with oversight responsibilities charged with governance of the treasury management function. Treasury management training will be considered and delivered as required to facilitate best practices, informed decision making and challenge processes.

List of Appendices

Appendix 1:	Treasury Management Policy Statement
Appendix 2:	Prudential & Treasury Indicators
Appendix 3:	Minimum Revenue Provision (MRP) Policy Statement
Appendix 4:	Annual Investment Strategy

APPENDIX 1

Treasury Management Policy Statement

Northamptonshire Police, Fire and Crime Commissioner defines its treasury management activities as:

The management of the PFCC's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The PFCC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The PFCC acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

APPENDIX 2

Prudential and Treasury Indicators

1 The Capital Prudential Indicators

1.1 The PFCC's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist overview and confirm capital expenditure plans.

Capital Expenditure and Borrowing Need

1.2 This prudential indicator shows the PFCC's capital expenditure plans and capital financing requirement as described in the body of the Strategy and summarised in Table 1 (Para 3.3 above).

The Operational Boundary

1.3 This is the limit beyond which external borrowing is not normally expected to exceed. All things being equal, this could be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing undertaken as impacted by the level of current and future cash resources and the shape of the interest rate yield curve.

Operational Boundary	**2022-23 Forecast £'000**	**2023-24 Estimated £'000**	**2024-25 Estimated £'000**	**2025-26 Estimated £'000**	**2026-27 Estimated £'000**	**2027-28 Estimated £'000**
Total Borrowing	31,000	37,000	46,000	44,000	40,000	37,000

1.4 The Operational Boundary is calculated here by rounded the CFR for each year up to the nearest £1m. This allows nominal flexibility to account for price variations on capital investment.

The Authorised Limit for external borrowing

1.5 A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised in line with the PFCC's Corporate Governance Framework. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.
- The PFCC is asked to approve the following Authorised Limit:

Authorised Limit	**2022-23 Forecast £'000**	**2023-24 Estimated £'000**	**2024-25 Estimated £'000**	**2025-26 Estimated £'000**	**2026-27 Estimated £'000**	**2027-28 Estimated £'000**
Total Borrowing	32,550	38,850	48,300	46,200	42,000	38,850

1.6 The rising trend of the Authorised Limit reflects that of the CFR and subsequently the Operational Boundary. The level set is at a 5% margin above the Operational Boundary, providing additional headroom for further short-term borrowing should it be required for cashflow purposes, before the legal limit is reached.

2 Treasury Management Limits on Activity

2.1 There are four debt and investment related treasury activity limits. The purpose of these is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs or improve performance. The indicators for debt are:

- **Upper limits on variable interest rate exposure;** this identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- **Upper limits on fixed interest rate exposure;** this is similar to the previous indicator and covers a maximum limit on fixed interest rates.
- **Maturity structure of borrowing;** these gross limits are set to reduce the PFCC's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

2.2 The interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation, exposures could be greater than 100% or below zero (i.e. negative) depending on the component parts of the formula. The formula is shown below:

Fixed rate calculation:

$$\frac{\text{(Fixed rate borrowing – Fixed rate investments)}}{\text{Total borrowing – Total investments}}$$

Variable rate calculation:

$$\frac{\text{(Variable rate borrowing – Variable rate investments)}}{\text{Total borrowing – Total investments}}$$

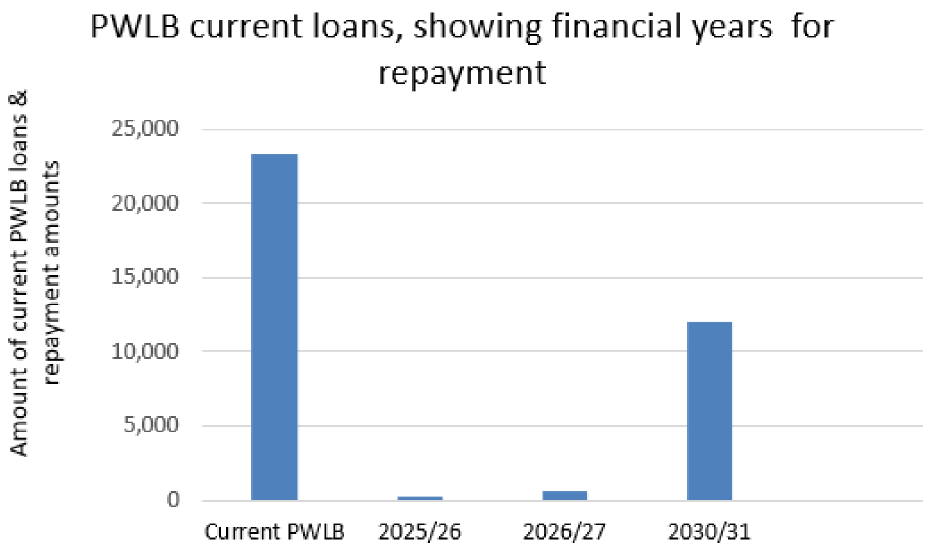
Interest rate Exposures	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
	Upper	Upper	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%	100%	100%	100%
Limits on variable interest rates based on net debt	50%	50%	50%	50%	50%	50%

2.3 The indicators above therefore allow for a maximum 100% of borrowing to be undertaken on a fixed interest rate basis, but a maximum of 50% on a variable interest rate basis. This allows flexibility to utilise variable rate instruments for up to half the PFCC's borrowing requirement where prudent to do so, whilst limiting the variable interest rate risk against the PFCC's revenue budget.

2.4 The maturity structure of borrowing indicator represents the borrowing falling due in each period expressed as a percentage of total borrowing. These gross limits are set to manage the PFCC's exposure to sums falling due for refinancing or repayment.

Maturity Structure of Borrowing		
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years		50%
2 years to 5 years		50%
5 years to 10 years		95%
10 years and above		100%

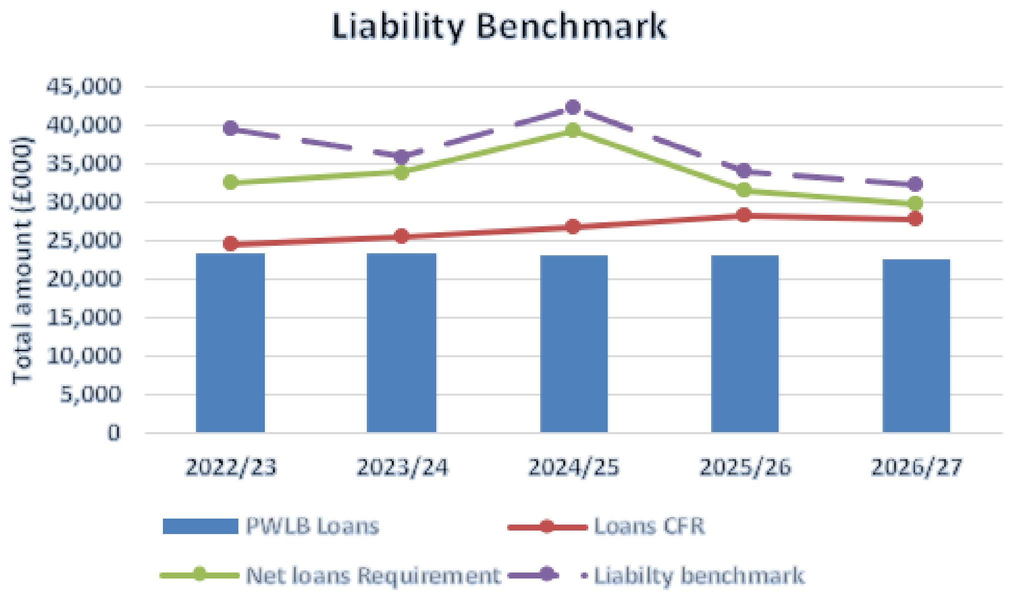
2.5 The below graph shows total of all PWLB loans alongside the repayment profile for future financial years of the maturity loans. It should be noted that the most recent £10m PWLB loan is an EIP (Equal Instalments of Principal) loan, meaning that the principal is paid throughout the loan rather than at the end of the loan term.



2.6 The PFCC does not expect to hold any investments that exceed 365 days but may do so in the future if it holds sufficient cash balances and such investments assist in the prudent management of the PFCC's financial affairs.

2.7 Liability Benchmark

The PFCC is required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that there is a strong grasp of both the existing debt maturity profile and how MRP / LFR (Loan Fund Repayment) and other cashflows affect the future debt requirement.



The current PFCC loans are all with PWLB. The graph shows the current outstanding amounts and the forecasted CFR loan requirement required to deliver the capital programme. The difference between the net borrowing and liability benchmark (gross loans requirement) represents the excess funds available for the cash flow.

Affordability Prudential Indicator

2.8 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework is an indicator required to assess the affordability of the capital investment plans. This provides an indication of the impact of the capital investment plans on the PFCC's overall finances.

2.9 The PFCC is asked to approve the actual and estimates of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against net revenue stream. The estimates of financing costs include current commitments.

2.10 This is calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers.

Actual and estimate of financing costs to net revenue stream	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Financing costs to net revenue stream	3%	2%	3%	4%	4%	4%

APPENDIX 3

Minimum Revenue Provision Policy Statement

1.1 The PFCC is required to repay an element of the accumulated General Fund capital spend each year (Capital Financing Requirement - CFR) through a revenue charge (Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required.

1.2 The Department for Levelling Up, Housing and Communities (DLUHC) have issued regulations that requires the PFCC to approve an MRP Statement in advance of each year. A variety of options are provided in the guidance with the underlying principle that a prudent provision is made.

Accumulated Debt Liability

1.3 For unsupported capital expenditure, MRP will be charged from the year after the assets funded have become operational and spread over the estimated useful life of the assets using an equal annual instalment method.

1.4 Estimated useful life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted. However, the PFCC reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.5 As some types of capital expenditure incurred are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure with substantially different useful economic lives.

Non-operational assets

1.6 The PFCC will not charge MRP on non-operational assets. MRP will only be charged in the financial year following the asset becoming operational. This policy will be reviewed annually.

Use of Capital Receipts

1.7 The PFCC may use capital receipts in the year in which they are received to reduce the CFR and to offset the MRP charge for that year. Any unapplied capital receipts will be available in future years and will be applied in a prudent manner.

APPENDIX 4

Annual Investment Strategy

1 Investment Policy

1.1 DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

1.2 The PFCC’s appetite for risk must be clearly identified in its strategy report. The PFCC affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the PFCC will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.

1.3 Responsibility for risk management and control lies within the PFCC and cannot be delegated to an outside organisation.

2 Creditworthiness Policy

2.1 The PFCC’s counterparty and credit risk management policies are set out below. These, taken together, form the fundamental parameters of the PFCC’s Investment Strategy.

2.2 The PFCC defines high credit quality in terms of investment counterparties as those organisations that are:

- Minimum strong grade long term credit rating (equivalent to A- / A3 / A from Fitch, Moody’s and Standard and Poor’s)
- UK banking or other financial institutions, or are;
- UK national or local government bodies, including bonds, or are;
- Countries with a sovereign rating of -AA or above, or are;
- Triple-A rated Money Market funds.

2.3 The PFCC will assess the credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard & Poor’s. The credit ratings of counterparties will be supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS – a traded insurance policy market against default risk) spreads to give early warning of likely changes in credit ratings

- Sovereign ratings to select counterparties from only the most creditworthy countries

2.4 This approach of combining credit ratings, credit Watches and credit Outlooks along with an overlay of CDS spreads will be used to determine duration for investment. The PFCC will apply these duration limits to the investments at all times, unless otherwise approved by the Chief Finance Officer.

2.5 Credit ratings will be monitored on a regular basis. If a rating downgrade results in the counterparty or investment scheme no longer meeting the PFCC's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition, extreme market movements (which may be an early indicator of financial distress) may result in the removal of a counterparty from new investment.

2.6 The PFCC will also use market data, financial press and information on any external support for banks to help support its decision-making process.

2.7 The PFCC recognises that responsibility for treasury management decisions always remains with the organisation and so to enable the effective management of risk in relation to its investments, the Chief Finance Officer shall have the discretion during the year to:

- Strengthen or relax restrictions on counterparty selection
- Adjust exposure and duration limits

2.8 Where this discretionary PFCC is exercised, records will be maintained, and details reported in the next available Treasury Management update report.

3 Banking Services

3.1 The PFCC uses NatWest to provides banking services. The PFCC may continue to use its own bankers for short term liquidity requirements if the credit rating of the institution falls below the minimum credit criteria set out in this report, monitored daily. A pragmatic approach will be adopted, and rating changes monitored closely.

4 Investment Position and Use of PFCC's Resources

4.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

4.2 Investments will be made with reference to the core balances and cash flow requirements and the outlook for interest rates.

4.3 The PFCC will primarily utilise business reserve accounts, notice accounts, low-volatility money market funds (known as LVNAV class) and short-dated deposits. This strategy will be reviewed and developed in future years.

5 Specified Investments

5.1 The PFCC assesses that an investment is a specified investment if all of the following criteria apply:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- The investment is not a long-term investment (ie. up to 1 year).
- The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].
- The investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
    - The United Kingdom Government.
    - A PFCC in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland.
    - High credit quality is defined as a minimum credit rating as outlined in this strategy.

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
Debt Management Agency Deposit Facility (DMADF)	-	No maximum
Call Accounts with the PFCC's bankers	-	No maximum
Certificate of Deposits	A / A3 / A	£5m per individual/group in total, excluding PFCC own bank
Term Deposits - Banks and Building Societies	A / A3 / A-	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs): -		
Money Market Funds (CNAV, LVNAV or VNAV)	AAA MMF rating	£2m per individual/group in total

5.2 The PFCC may enter into forward agreements up to 1 months in advance of the investment commencing. If forward agreements are made, the forward period plus the deal period should not exceed the 1 year to be classified as a specified investment.

5.3 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.

6 Non-specified investments

6.1 Non-specified investments are defined as those not meeting the specified investment criteria above (including investments exceeding 1 year).

6.2 At this point in time, the PFCC has no plans to invest in any non-specified investments.

7 Investments Defined as Capital Expenditure

7.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as ‘non-specified investments’.

7.2 Investments in “money market funds” which are collective investment schemes and bonds issued by “multilateral development banks” – both defined in SI 2004 No 534 – will not be treated as capital expenditure.

7.3 A loan, grant or financial assistance provided by this PFCC to another body will be treated as capital expenditure if the PFCC would define the other bodies use of those funds as capital had it undertaken the expenditure itself.

8 Provisions for Credit Related Losses

8.1 If any of the PFCC’s investments appear at risk of loss due to default (ie. this is a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the PFCC will make revenue provision of an appropriate amount.

9 End of Year Investment Report

9.1 At the end of the financial year, the PFCC will report on its investment activity as part of its Annual Treasury Outturn Report.

10 Governance Arrangements

10.1 By approving this strategy, the PFCC is setting the framework from which treasury activity will be conducted and reported.

10.2 The Chief Finance Officer has delegated powers through approval of this strategy to take the most appropriate form of borrowing from approved sources, and to make the most appropriate form of investments in approved instruments. Paragraph 2.7 above delegates powers to the Chief Finance Officer giving discretion during the year to lift or increase the restrictions on the counterparty lending list and/or to adjust the associated lending limits on values and durations should it become necessary, to enable the effective management of risk in relation to its investments.

10.3 The Chief Finance Officer may delegate powers to borrow and invest within the confines of this strategy to members of the Joint Finance Team, who will provide regular updates on treasury activity.

10.4 Any other amendments to this strategy must be approved in line with the PFCC's Corporate Governance Framework.

AGENDA ITEM: 10bi

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

15 MARCH 2023

REPORT BY	Nick Alexander, Joint Head of Finance, Enabling Services
SUBJECT	NCFRA - Treasury Management Strategy 2023/24
RECOMMENDATION	To consider the report

1. Background

1.1 The Treasury Management Strategy for Police has been prepared alongside the Capital Programme, the Revenue Budget and Precept and is attached for consideration.

1.2 The Chief Finance Officers are grateful to colleagues in the Joint Finance Team for reviewing and updating the Strategy.

1.3 It is the intention for the Treasury Management Strategy for 2023/24 to be published the strategy on the website by the 31 March 2023, after the PFCC considers the feedback from the JIAC meeting.

1.4 In line with its Terms of Reference (reviewed and updated July 2022), the JIAC undertakes a key role with regards to the Treasury Management Strategy.

1.5 For context, as a relatively new organisation with reserves at a lower level nationally than their peers, NCFRA have relatively straightforward Treasury Management arrangements.

2. Recommendation

2.1 It is recommended that the JIAC consider the Strategy and provide comments for the PFCC consideration.

Treasury Management Strategy 2023/24

Northamptonshire Commissioner Fire & Rescue Authority (NCFRA)

Author: Joint Finance Team

Version Control: 1

1. Introduction

CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

CIPFA Prudential Code for Capital Finance in Local Authorities

1.2. The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc. and Accounts).

1.3. The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.

1.4. The Authority is required to set and monitor a range of prudential indicators for capital finance covering affordability, prudence, and a range of treasury indicators.

Treasury Management Policy Statement

1.5. The Authority’s Treasury Management Policy Statement is included in Appendix 1. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Code.

Treasury Management Practices

1.6. The Authority’s Treasury Management Practices (TMPs) will set out the manner in which the Authority will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1.7. The Authority’s TMPs Schedules will cover the detail of how the Authority will apply the TMP Main Principles in carrying out its operational treasury activities. They are reviewed annually, and any amendments approved by the Authority’s Chief Finance Officer.

2. The Treasury Management Strategy

2.1. It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year. The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Authority's treasury management activity, including the Authority's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

2.2. The Authority's Treasury Management Strategy is prepared in the context of the key principles of the Treasury Code and incorporates:

- The Authority's capital financing and borrowing strategy for the coming year
- Policy on borrowing in advance of need
- Policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt
- The Affordable Borrowing Limit
- The Annual Investment Strategy for the coming year, including creditworthiness policies

2.3. The strategy considers the impact of the Authority's Medium Term Financial Plan (MTFP), its revenue budget and capital programme, the balance sheet position, and the outlook for interest rates.

2.4. The Authority regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is detailed within the Authority's Corporate Governance Framework.

3. Current Treasury Management Position

3.1. The Authority's projected treasury portfolio position at 1st April 2023, with forward projections into future years, is summarised below. Table 1 shows the actual external borrowing (the treasury management operations), against the Capital Financing Requirement (CFR).

3.2. The CFR is the total of outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's underlying borrowing need.

3.3. Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need over each asset's life.

Table 1: Capital Financing Requirement	2022-23 Forecast £'000	2023-24 Estimated £'000	2024-25 Estimated £'000	2025-26 Estimated £'000	2026-27 Estimated £'000	2027-28 Estimated £'000
External Borrowing at 1st April b/fwd	3,300	7,679	8,020	7,786	7,466	7,139
Net Borrowing Requirement to fund Capital Programme	4,558	725	250	175	175	175
MRP	(179)	(384)	(484)	(495)	(502)	(508)
CFR - Borrowing at 31 March c/fwd	**7,679**	**8,020**	**7,786**	**7,466**	**7,139**	**6,806**
Funds available for Investment at 1 April b/f	3,000	4,000	3,000	3,000	3,000	3,000
Change in Funds Available for Investment	1,000	(1,000)		-	-	-
Investments at 31 March c/fwd	**4,000**	**3,000**	**3,000**	**3,000**	**3,000**	**3,000**
Net Borrowing	**3,679**	**5,020**	**4,786**	**4,466**	**4,139**	**3,806**

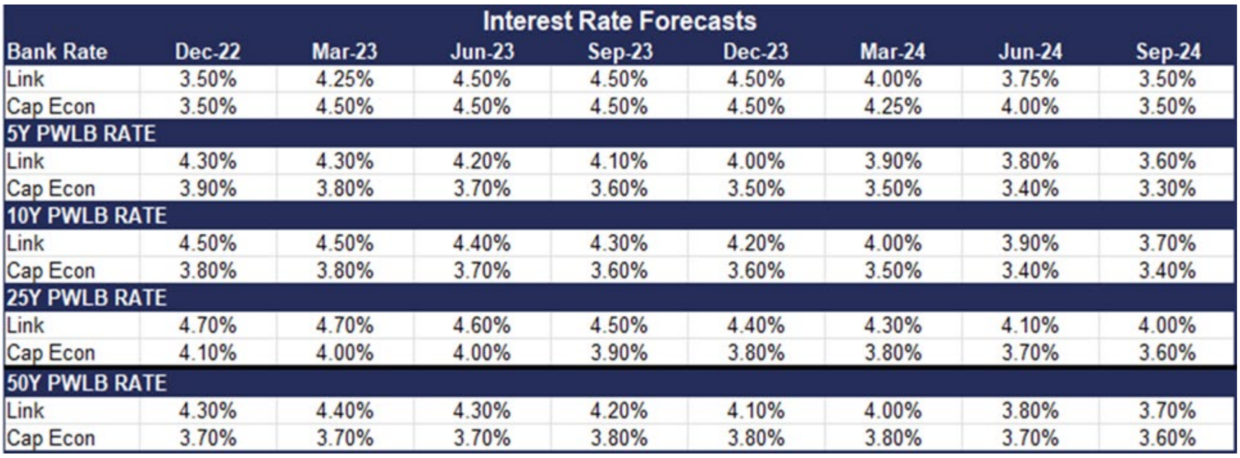
3.4. There are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. Among these the Authority needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding years. This ensures that borrowing is not undertaken for revenue purposes except to cover short term cash flows.

3.5. The Chief Finance Officer does not envisage difficulties complying with these indicators based upon current commitments, existing plans, the proposals in this strategy, the budget report, the Capital Programme and the Medium Term Financial Plan.

4. Prospects for Interest Rates

4.1. The Authority’s assessment of the likely path for bank base rate, investment market rates (The London Interbank Bid Rate - LIBID), and PWLB borrowing rates are set out below:

Table 2: Interest Rate Outlook as at 2nd December 2022



Interest Rate Forecasts

Bank Rate	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Link	3.50%	4.25%	4.50%	4.50%	4.50%	4.00%	3.75%	3.50%
Cap Econ	3.50%	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%
5Y PWLB RATE								
Link	4.30%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%
Cap Econ	3.90%	3.80%	3.70%	3.60%	3.50%	3.50%	3.40%	3.30%
10Y PWLB RATE								
Link	4.50%	4.50%	4.40%	4.30%	4.20%	4.00%	3.90%	3.70%
Cap Econ	3.80%	3.80%	3.70%	3.60%	3.60%	3.50%	3.40%	3.40%
25Y PWLB RATE								
Link	4.70%	4.70%	4.60%	4.50%	4.40%	4.30%	4.10%	4.00%
Cap Econ	4.10%	4.00%	4.00%	3.90%	3.80%	3.80%	3.70%	3.60%
50Y PWLB RATE								
Link	4.30%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%
Cap Econ	3.70%	3.70%	3.70%	3.80%	3.80%	3.80%	3.70%	3.60%

4.2. The current economic situation to the UK after September 2022 decisions from Government has resulted in a step interest increase which impacted quarter 3 2022/23. March 2022 the Bank of England base rate increased to 0.75%, to the last increase in December 2022 to 3.5% (at the time of writing). The forecasters are expecting another base rate increase early 2023 to be above 4%, increasing again July 2023 as high as 4.8%. The forecast table above shows the current forecast of the PWLB interest rates from our Treasury Advisors.

4.3. Investment returns are likely to slightly increase in 2023/24 from the interest currently earnt in 2022/23 due to the increase in rates, and remain constant thereafter as the current forecasts are expected to remain for the next 5 years.

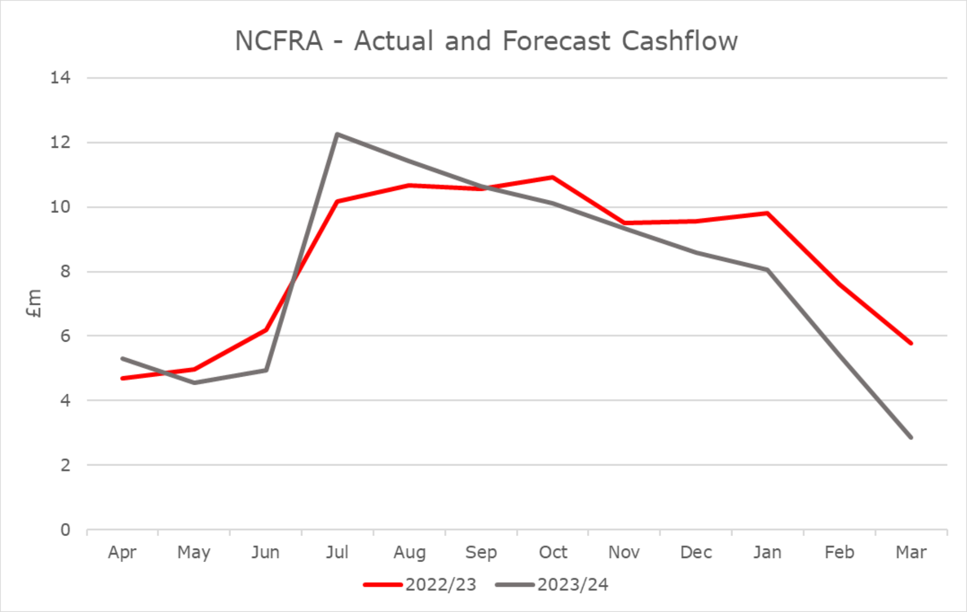
4.4. In March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of PFCC capital expenditure. Following the consultation, the Government published their responses in November 2020 which stated these outcomes:

- PWLB will not lend to a PFCC who intends to buy investment assets primarily for yield
- Reduction to the interest on borrowing on all standard and certainty rates by 100 basis point which took effect from 26th November 2022.

5. Managing daily cash balances and investing surpluses

5.1. In order that the Authority can maximise income earned from investments, the target for the un-invested overnight balances in our current accounts is usually always lower than £5k. However, if there is an emergency, we are unable to place an investment or it is not prudent or cost-effective to do so, we will maintain any excess balances in the Natwest account in order to safeguard funds.

5.2. At any one time, the Authority has between £3m and £11m (depending on the cash flow of both revenue and capital financing) available to invest. This represents income received in advance of expenditure plus balances and reserves. The average cash available to or forecast to invest throughout 2022/23 including a projection of 2023/24 is as follows:



5.3. As with most local authorities with a high proportion of employee to Supplies and Services expenditure, the Authority's cash flow is fairly consistent month on month and therefore investable cash balances only significantly deviate when single payments (such as internally funded capital purchases) or large annual income receipts are forecast.

5.4. The decline and increase in cash balances represented above occurs with the:

- Receipt of Fire Fighter Pension Fund (FFPF) grant during July
- The costs associated with the FFPF being expended throughout the financial year
- Repayment of PWLB loans

6. Borrowing Strategy

6.1. The overarching objectives for the Authority's borrowing strategy are as follows:

- To manage the Authority's debt maturity profile; this is achieved by monitoring short and long term cash flow forecasts in tandem with balance sheet analysis
- To maintain a view on current and possible future interest rate movements, and to plan borrowing accordingly. This is achieved by monitoring of economic commentary to undertake sensitivity analysis
- To monitor and review the balance between fixed and variable rate loans against the background of interest rates and the Prudential Indicators; this is achieved by monitoring of economic commentary to undertake sensitivity analysis

6.2. The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), will not need to be fully funded with loan debt and cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure.

6.3. The sources of borrowing;

- PWLB as the Authority will receive a Certainty rate which is reduced by 20 basis points (0.20%) against the PWLB standard rate

- Local Authority particularly for Short term borrowing

- OPFCC (Police funds) – this TMS enables that if there is an instance that either NCFRA or OPFCC (Police) has similar term excess of funds when the other entity has a borrowing need, that borrowing can take place from either party. This must be mutually beneficial and hold minimal risk and to provide additional assurance, approval will be provided by both S151 officers or their deputies, so that both parties interests are demonstrably represented. It ensures that interest rates are competitive to the market and no broker fee is payable (historically 10 basis points of the amount borrowed).

6.4. The Authority against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Joint Finance Team will monitor interest rates in financial markets and regularly brief the Chief Finance Officer so the Authority may adopt a pragmatic approach to changing circumstances. For example:

- If it was felt that there was a significant risk of a sharp FALL of 25% or more in long and short term rates (eg. due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings may be postponed and potential rescheduling from fixed rate funding into short term borrowing considered (where appropriate);
- If it was felt that there was a significant risk of a much sharper RISE of 25% or more in long and short term rates than that currently forecast (eg. arising from an acceleration in the start date and rate of increase in central rates in the USA and UK) then the portfolio position will be re-appraised. This may include drawing fixed rate funding whilst interest rates are lower than they are projected to be in the next few years.

7. Prudential & Treasury Indicators

7.1. There is a requirement under the Local Government Act 2003 for Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The Prudential Code was most recently updated in 2021.

7.2. A full set of Prudential Indicators and Borrowing Limits are shown in Appendix 2.

8. Policy on Borrowing in Advance of Need

8.1. The Authority's policy is to keep cash balances as low as possible and not to borrow in advance of need for capital purposes, whilst ensuring that cash is available to make payments when they become due. However, this policy may be reviewed should it be prudent to do so, subject to support by the Chief Finance Officer.

9. Debt Rescheduling

9.1. The Authority may reschedule debt if it is prudent to do so. The reasons for any rescheduling to take place may include:

- the generation of cash savings and/or discounted cash flow savings
- helping to fulfil the treasury strategy
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility)

9.2. Any rescheduling activity decision must be recommended by the Chief Finance Officer, and reported in the next Treasury Management report following its action.

10. Minimum Revenue Provision

10.1. The Authority is required to repay annually an element of its outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (the CFR). This is achieved through a revenue charge known as the Minimum Revenue Provision (MRP). It is also allowed to undertake additional voluntary payments (Voluntary Revenue Provision - VRP).

10.2. DLUHC Regulations have been issued which requires the Authority to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision. The Authority is recommended to approve the MRP Policy in Appendix 3 which sets out how MRP will be charged against particular asset types or other forms of capital expenditure.

11. Investment Strategy

11.1. Government guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.

11.2. The Authority's general policy objective is to invest its surplus funds prudently. As such the Authority's investment priorities, in priority order, are:

- Security of the invested capital
- Liquidity of the invested capital
- Yield received from the investment

11.3. The Authority expects to invest all surplus funding and is forecast over the medium term that interest rate returns are expected to increase. The average cash balances from those is expected to remain consistent with peaks in July following the receipt of grant income with reductions in available levels through to the end of each financial year. An estimate of possible income is as follows, which is higher than the Authority's more prudent forecast in the medium term financial plan:

	2022-23 Forecast £'000	2023-24 Estimated £'000	2024-25 Estimated £'000	2025-26 Estimated £'000	2026-27 Estimated £'000	2027-28 Estimated £'000
Interest Rate	3.00%	4.25%	4.00%	3.00%	2.50%	2.50%
Average Investment balance	4,000	3,000	3,000	3,000	3,000	3,000
Forecast Income	120	128	120	90	75	75

11.4. The Authority's Investment Strategy is shown in Appendix 4.

12. Risk Analysis and Forecast Sensitivity

Risk Management

12.1. The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Authority's approved Treasury Management Practices.

12.2. The Schedule of Treasury Management Practices set out the ways in which the Authority seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk). Officers will monitor these risks closely.

Sensitivity of the Forecast

12.3. The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Authority has no control.

12.4. Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the Authority's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the treasury strategy, and in line with the Authority's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported in the next available Treasury Management report.

13. Capital Strategy

13.1. CIPFA's revised 2017 Prudential and Treasury Management Codes requires all local authorities, to have in place a Capital Strategy, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

13.2. The aim of this Capital Strategy is to ensure a full understanding of the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

13.3. NCFRA have a published Capital Strategy which is aligned to the Fire and Rescue Plan. The PFCC has finalised a new Police, Fire and Rescue Plan which has been published on the PFCC website. The Capital Strategy will be reviewed and updated in line with the new Police, Fire and Crime Plan in 2023/24.

14. Treasury Management Reporting

14.1. The PFCC receives two treasury reports as a minimum each year, with a mid-year update as and when appropriate, which incorporate a variety of policies, estimates and actuals:

a) **Treasury Management Strategy and Prudential and Treasury Indicators (this report – essential report)**

This report is forward-looking and covers:

- the capital plans, (including prudential indicators)
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators
- an investment strategy, (the parameters on how investments are to be managed)

b) **A mid-year treasury management report** (as required)

This is primarily a progress report and updates on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury outturn report (essential)**

This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

15. Treasury Management Budget

15.1. The table below provides a breakdown of the treasury management budget. Minimum Revenue Provision (MRP) charges have been calculated in line with the Policy at Appendix 3:

Table 3: Treasury Management Budget	**2022-23 Forecast £'000**	**2023-24 Estimated £'000**	**2024-25 Estimated £'000**	**2025-26 Estimated £'000**	**2026-27 Estimated £'000**	**2027-28 Estimated £'000**
Interest payable on borrowing	92	60	86	93	98	103
Minimum Revenue Provision	179	384	484	495	502	508
Revenue Contribution to Capital Outlay	479	-	300	300	300	300
Total	**750**	**444**	**870**	**888**	**900**	**911**

15.2. Budget estimates will be revised during the year reflect the further development of capital programme plans and other relevant strategies.

16. Policy on the use of External Service Providers

16.1. The Authority recognises that responsibility for treasury management decisions always remains with the organisation. The Authority also recognises there is value in employing an external provider of treasury management services in order to acquire access to specialist skills and advice to support the treasury management function.

16.2. Treasury Management services are undertaken by the Enabling Services Joint Finance Team and the Treasury Advisor is currently Link Group.

17. Future Developments

17.1. Public bodies are having to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to treasury management activities. The Government has already introduced new statutory powers, and regulatory agencies such as CIPFA are introducing policy changes, which will have an impact on treasury management approaches in the future. Examples of such changes are:

17.2. Localism Act

A key element of the Act is the “General Power of Competence”: “A Authority has power to do anything that individuals generally may do.” The Act opens up the possibility that a Authority can use derivatives as part of their treasury management operations. The Authority has no plans to use financial derivatives under the powers contained within this Act.

17.3. Loans to Third Parties

The Authority may borrow to make grants or loans to third parties for the purpose of capital expenditure. This will usually be to support local economic development, and may be funded by external borrowing.

The Authority has not lent any funds to third parties and has no plans to do so in the immediate future.

17.4. Proposals to amend the CIPFA Treasury Management and Prudential Codes

CIPFA conducted a review of the Treasury Management Code of Practice and the Prudential Code. This review particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management.

The Capital Strategy will cover non-treasury investments to deal with such purchases, their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake these purchases.

17.5. Impact of International Financial Reporting Standard 9 (IFRS 9)

All public bodies were required to adopt the principles of accounting standard IFRS 9 from 1st April 2018. A key element of this standard is a requirement to set aside financial provision within revenue budgets for losses on financial assets based on potential expected losses (i.e. the likelihood of loss across the asset lifetime). This however does not have a material impact upon the traditional treasury management investments the Authority will undertake.

18. Training

18.1. The Authority needs to ensure appropriate training and knowledge in relation to treasury management activities, for officers engaged in treasury activity and those with oversight responsibilities charged with governance of the treasury management function. Treasury management training will be considered and delivered as required to facilitate best practices, informed decision making and challenge processes.

List of Appendices

Appendix 1:	Treasury Management Policy Statement
Appendix 2:	Prudential & Treasury Indicators
Appendix 3:	Minimum Revenue Provision (MRP) Policy Statement
Appendix 4:	Annual Investment Strategy

APPENDIX 1

Treasury Management Policy Statement

Northamptonshire Commissioner Fire and Rescue Authority defines its treasury management activities as:

The management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

APPENDIX 2

Prudential and Treasury Indicators

1 The Capital Prudential Indicators

1.1 The Authority's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist overview and confirm capital expenditure plans.

Capital Expenditure and Borrowing Need

1.2 This prudential indicator shows the Authority's capital expenditure plans and capital financing requirement as described in the body of the Strategy and summarised in Table 1 (Para 3.3 above).

The Operational Boundary

1.3 This is the limit beyond which external borrowing is not normally expected to exceed. All things being equal, this could be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing undertaken as impacted by the level of current and future cash resources and the shape of the interest rate yield curve.

Operational Boundary	**2022-23 Forecast £'000**	**2023-24 Estimated £'000**	**2024-25 Estimated £'000**	**2025-26 Estimated £'000**	**2026-27 Estimated £'000**	**2027-28 Estimated £'000**
Total Borrowing	8,000	9,000	8,000	8,000	8,000	7,000

1.4 The Operational Boundary is calculated here by rounded the CFR for each year up to the nearest £1m. This allows nominal flexibility to account for price variations on capital investment.

The Authorised Limit for external borrowing

1.5 A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised in line with the Authority's Corporate Governance Framework. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.
- The Authority is asked to approve the following Authorised Limit:

Authorised Limit	**2022-23 Forecast £'000**	**2023-24 Estimated £'000**	**2024-25 Estimated £'000**	**2025-26 Estimated £'000**	**2026-27 Estimated £'000**	**2027-28 Estimated £'000**
Total Borrowing	8,400	9,450	8,400	8,400	8,400	7,350

1.6 The rising trend of the Authorised Limit reflects that of the CFR and subsequently the Operational Boundary. The level set is at a 5% margin above the Operational Boundary, providing additional headroom for further short-term borrowing should it be required for cashflow purposes, before the legal limit is reached.

2 Treasury Management Limits on Activity

2.1 There are four debt and investment related treasury activity limits. The purpose of these is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs or improve performance. The indicators for debt are:

- **Upper limits on variable interest rate exposure;** this identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- **Upper limits on fixed interest rate exposure;** this is similar to the previous indicator and covers a maximum limit on fixed interest rates.
- **Maturity structure of borrowing;** these gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

2.2 The interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation, exposures could be greater than 100% or below zero (ie. negative) depending on the component parts of the formula. The formula is shown below:

Fixed rate calculation:

$$\frac{\text{(Fixed rate borrowing – Fixed rate investments)}}{\text{Total borrowing – Total investments}}$$

Variable rate calculation:

$$\frac{\text{(Variable rate borrowing – Variable rate investments)}}{\text{Total borrowing – Total investments}}$$

Interest rate Exposures	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
	Upper	Upper	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%	100%	100%	100%
Limits on variable interest rates based on net debt	50%	50%	50%	50%	50%	50%

2.3 The indicators above therefore allow for a maximum 100% of borrowing to be undertaken on a fixed interest rate basis, but a maximum of 50% on a variable interest rate basis. This allows flexibility to utilise variable rate instruments for up to half the Authority's borrowing requirement where prudent to do so, whilst limiting the variable interest rate risk against the Authority's revenue budget.

2.4 The maturity structure of borrowing indicator represents the borrowing falling due in each period expressed as a percentage of total borrowing. These gross limits are set to manage the Authority's exposure to sums falling due for refinancing or repayment.

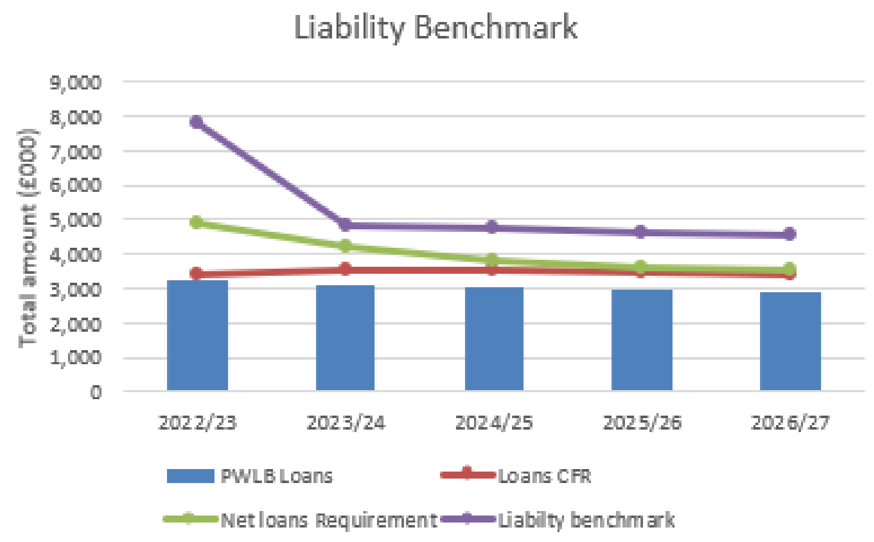
Maturity Structure of Borrowing		
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years		50%
2 years to 5 years		80%
5 years to 10 years		80%
10 years and above		100%

The type of the current £3.3m PWLB loan is a EIP (Equal Instalments of Principal), meaning that the principal is paid throughout the loan rather than at the end of the loan term.

2.5 The Authority does not expect to hold any investments that exceed 365 days but may do so in the future if it holds sufficient cash balances and such investments assist in the prudent management of the Authority's financial affairs.

Liability Benchmark

2.6 The PFCC is required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that it has a strong grasp of both its existing debt maturity profile and how MRP / LFR (Loan Fund Repayment) and other cash flows affect the future debt requirement.



Currently, all the authority's loans are held with PWLB. The graph shows the current outstanding loans and the forecasted CFR loan requirement to deliver the Capital Programme. The decline in the Liability benchmark (gross loans requirement) from 1st April 22 to 1st April 23 is due to a review of the Capital Programme, and decision re-aligned to the Estates Strategy. The Capital budget had been set in 2021/22 planning cycle.

Affordability Prudential Indicator

2.7 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework is an indicator required to assess the affordability of the capital investment plans. This provides an indication of the impact of the capital investment plans on the Authority's overall finances.

2.8 The Authority is asked to approve the actual and estimates of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against net revenue stream. The estimates of financing costs include current commitments.

2.9 This is calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers.

	2022-23 Forecast	2023-24 Estimated	2024-25 Estimated	2025-26 Estimated	2026-27 Estimated	2027-28 Estimated
Financing costs to net revenue stream	4%	4%	4%	3%	3%	3%

APPENDIX 3

Minimum Revenue Provision Policy Statement

1.1 The Authority is required to repay an element of the accumulated General Fund capital spend each year (Capital Financing Requirement - CFR) through a revenue charge (Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required.

1.2 The Department for Levelling Up, Housing and Communities (DLUHC) have issued regulations that requires the Authority to approve an MRP Statement in advance of each year. A variety of options are provided in the guidance with the underlying principle that a prudent provision is made.

Accumulated Debt Liability

1.3 For unsupported capital expenditure, MRP will be charged from the year after the assets funded have become operational and spread over the estimated useful life of the assets using an equal annual instalment method.

1.4 Estimated useful life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted. However, the Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.5 As some types of capital expenditure incurred are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure with substantially different useful economic lives.

Non-operational assets

1.6 The Authority will not charge MRP on non-operational assets. MRP will only be charged in the financial year following the asset becoming operational. This policy will be reviewed annually.

Use of Capital Receipts

1.7 The Authority may use capital receipts in the year in which they are received to reduce the CFR and to offset the MRP charge for that year. Any unapplied capital receipts will be available in future years and will be applied in a prudent manner.

APPENDIX 4

Annual Investment Strategy

1 Investment Policy

1.1 DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

1.2 The Authority’s appetite for risk must be clearly identified in its strategy report. The Authority affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Authority will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.

1.3 Responsibility for risk management and control lies within the Authority and cannot be delegated to an outside organisation.

2 Creditworthiness Policy

2.1 The Authority’s counterparty and credit risk management policies are set out below. These, taken together, form the fundamental parameters of the Authority’s Investment Strategy.

2.2 The Authority defines high credit quality in terms of investment counterparties as those organisations that are:

- Minimum strong grade long term credit rating (equivalent to A- / A3 / A from Fitch, Moody’s and Standard and Poor’s)
- UK banking or other financial institutions, or are;
- UK national or local government bodies, including bonds, or are;
- Countries with a sovereign rating of -AA or above, or are;
- Triple-A rated Money Market funds.

2.3 The Authority will assess the credit ratings from the three main credit rating agencies, Fitch, Moody’s and Standard & Poor’s. The credit ratings of counterparties will be supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS – a traded insurance policy market against default risk) spreads to give early warning of likely changes in credit ratings

- Sovereign ratings to select counterparties from only the most creditworthy countries

2.4 This approach of combining credit ratings, credit Watches and credit Outlooks along with an overlay of CDS spreads will be used to determine duration for investment. The Authority will apply these duration limits to its investments at all times, unless otherwise approved by the Chief Finance Officer.

2.5 Credit ratings will be monitored on a regular basis. If a rating downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition, extreme market movements (which may be an early indicator of financial distress) may result in the removal of a counterparty from new investment.

2.6 The Authority will also use market data, financial press and information on any external support for banks to help support its decision-making process.

2.7 The Authority recognises that responsibility for treasury management decisions always remains with the organisation and so to enable the effective management of risk in relation to its investments, the Chief Finance Officer shall have the discretion during the year to:

- Strengthen or relax restrictions on counterparty selection
- Adjust exposure and duration limits

2.8 Where this discretionary Authority is exercised, records will be maintained, and details reported in the next available Treasury Management update report.

3 Banking Services

3.1 The Authority uses NatWest to provides banking services. The Authority may continue to use its own bankers for short term liquidity requirements if the credit rating of the institution falls below the minimum credit criteria set out in this report, monitored daily. A pragmatic approach will be adopted, and rating changes monitored closely.

4 Investment Position and Use of Authority's Resources

4.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

4.2 Investments will be made with reference to the core balances and cash flow requirements and the outlook for interest rates.

4.3 The Authority will primarily utilise business reserve accounts, notice accounts, low-volatility money market funds (known as LVNAV class) and short-dated deposits. This strategy will be reviewed and developed in future years.

5 Specified Investments

5.1 The Authority assesses that an investment is a specified investment if all of the following criteria apply:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- The investment is not a long-term investment (ie. up to 1 year).
- The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].
- The investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
  - The United Kingdom Government.
  - An Authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland.
  - High credit quality is defined as a minimum credit rating as outlined in this strategy.

Instrument	Minimum ‘High’ Credit Criteria	Maximum Amount
Debt Management Agency Deposit Facility (DMADF)	-	No maximum
Call Accounts with the Authority’s bankers	-	No maximum
Certificate of Deposits	A / A3 / A	£2m for overseas and £5m for UK government guaranteed bodies (in total)
Term Deposits - Banks and Building Societies	A / A3 / A	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs):		
Money Market Funds (CNAV, LVNAV or VNAV)	AAA MMF rating	£2m per individual/ group in total

5.2 The Authority may enter into forward agreements up to 1 months in advance of the investment commencing. If forward agreements are made, the forward period plus the deal period should not exceed the 1 year to be classified as a specified investment.

5.3 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.

6 Non-specified investments

6.1 Non-specified investments are defined as those not meeting the specified investment criteria above (including investments exceeding 1 year).

6.2 At this point in time, the Authority has no plans to invest in any non-specified investments.

7 Investments Defined as Capital Expenditure

7.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.

7.2 Investments in "money market funds" which are collective investment schemes and bonds issued by "multilateral development banks" – both defined in SI 2004 No 534 – will not be treated as capital expenditure.

7.3 A loan, grant or financial assistance provided by this Authority to another body will be treated as capital expenditure if the Authority would define the other bodies use of those funds as capital had it undertaken the expenditure itself.

8 Provisions for Credit Related Losses

8.1 If any of the Authority's investments appear at risk of loss due to default (ie. this is a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Authority will make revenue provision of an appropriate amount.

9 End of Year Investment Report

9.1 At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Outturn Report.

10 Governance Arrangements

10.1 By approving this strategy, the Authority is setting the framework from which treasury activity will be conducted and reported.

10.2 The Chief Finance Officer has delegated powers through approval of this strategy to take the most appropriate form of borrowing from approved sources, and to make the most appropriate form of investments in approved instruments. Paragraph 2.7 above delegates powers to the Chief Finance Officer giving discretion during the year to lift or increase the restrictions on the counterparty lending list and/or to adjust the associated lending limits on values and durations should it become necessary, to enable the effective management of risk in relation to its investments.

10.3 The Chief Finance Officer may delegate powers to borrow and invest within the confines of this strategy to members of the Joint Finance Team, who will provide regular updates on treasury activity.

10.4 Any other amendments to this strategy must be approved in line with the Authority's Corporate Governance Framework.

Joint Independent Audit Committee

15th March 2023

AGENDA ITEM: 11

REPORT BY	**OPFCC/NCFRA Chief Finance Officer**
SUBJECT	**Joint Independent Audit Committee (JIAC) - Agenda Plan – Updated February 2023**
RECOMMENDATION	To discuss the agenda plan

1. Background

1.1 The agenda plan incorporates statutory, good practice and agreed scrutiny items. The Fraud and Corruption reports are within the agenda at September and December but will be moved if appropriate for National Fraud Initiative information and timescales.

1.2 By the date of the meeting, a JIAC workshop on Risk Management will have taken place on 10 February 2023. Meeting dates for September and December 2023 are set out within the agenda.

1.3 Dates for the two statement of accounts workshops will be set once external audit dates have been confirmed for 2022/23.

ROLLING AGENDA PLAN 2023

		frequency required	14th December 2022	10 February 2023 Workshop - Risk Management	15th March 2023	19th July 2023	13th September 2023	6th December 2023	DATE TBC Fire Accounts Workshop	DATE TBC PFCC and CC Accounts Workshop
	Confirmed agenda to be circulated		04/11/2022		01/02/2023	07/06/2023	31/07/2023	20//10/2023		
	Deadline for reports to be submitted		01/12/2022		02/03/2023	06/07/2023	30/08/2023	24/11/2023		
	Papers to be circulated		07/12/2022		08/03/2023	12/07/2023	06/08/2023	29/11/2023		
Public	Apologies	every meeting	Apologies		Apologies	Apologies	Apologies	Apologies		
Public	Declarations	every meeting	Declarations		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	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				
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 – written End Annual report	External Auditor reports	External Auditor reports		
Public	Internal Auditor reports (progress)	every meeting	Internal Auditor progress reports		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 Procurement 2023/24 and Plans update	Year End Reports 2022/23 Internal Audit Plans 2023/24 NCFRA, PFCC and CC				

		frequency required	14th December 2022	10 February 2023 Workshop - Risk Management	15th March 2023	19th July 2023	13th September 2023	6th December 2023	DATE TBC Fire Accounts Workshop	DATE TBC PFCC and CC Accounts Workshop
Public	Update on Implementation of internal audit recommendations	twice a year for NFRS and PCC & CC	Audit implementation update of internal audit recommendations NFRS		Audit implementation update of internal audit recommendations PFCC and CC	Audit implementation update of internal audit recommendations NFRS	Audit implementation update of internal audit recommendations PFCC and CC	Audit implementation update of internal audit recommendations NFRS		
Public	HMICFRS updates	1 per year per organisation	NFRS – HMIC Update		CC - HMICFRS update	NFRS – HMICFRS Update	CC - HMICFRS update	NFRS – HMICFRS Update		
Restricted	Risk register update (including current risk policy as an appendix)		CC Risk register (including current risk policy as appendix)		NCFRA Risk Register (including current risk policy as an appendix)		PFCC Risk register (including current risk policy as appendix)	CC Risk register (including current risk policy as appendix)		
Public	Fraud and Corruption: Controls and processes	Once a year for NFRS and PCC & CC	Policing - Fraud and Corruption: Controls and processes				*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		External Audit Update	External Audit Update	External Audit Update	External Audit Update		
Public	Treasury Management Strategy	annually for all			NCFRA, CC and PFCC - Treasury Management Strategy					
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			
Restricted	Benefits realisation					Benefits realisation (PB)		Benefits realisation (PB)		
Restricted	Systems implementation					Verbal update – systems implementation (including review of new finance systems)				