

### STATEMENT ON INTERNAL CONTROL - 2004/05

#### **1. SCOPE OF RESPONSIBILITY**

1.1 Humberside Police Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Humberside Police Authority also has a duty under the Police Reform Act 2002 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

#### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Humberside Police Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.2 The system of internal control has been in place at Humberside Police Authority for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

#### **3. THE INTERNAL CONTROL ENVIRONMENT**

3.1 Humberside Police Authority has an established system of internal control that is monitored and regularly reviewed. Key elements of the internal control environment are:

##### **3.2 Establishing and monitoring the achievement of the Authority's objectives**

- The Police Reform Act 2002 requires the Police Authority to translate both long and medium term national and local strategic priorities into a 3-year strategy plan consistent with the National Policing Plan.
- The Police Act 1996 requires the Police Authority to produce an Annual Policing Plan/Best Value Performance Plan reflecting the Home Secretary's strategic priorities and, where used, policing objectives (known as Ministerial Priorities). It also incorporates local priorities, Policing Performance Assessment Framework

(PPAF) indicators, current performance against relevant performance indicators (including comparisons with others), improvement targets (which must be set by the Police Authority) and the means used to achieve our plans. The Police Authority also need to include PSA (Public Service Agreement) delivery indicators and targets where relevant.

- The Chief Constable drafts the 3-year strategy plan and the Annual Policing/Best Value Performance Plan for consideration and approval by the Police Authority. The Chief Constable and Force via BCUs (Basic Command Units) and departments deliver improvements in local policing having regard to the 3-year strategy plan and Annual Policing/Best Value Performance Plan and local Crime and Disorder Reduction strategies.
- The Performance Scrutiny Committee on a quarterly basis undertakes monitoring of achievements against the Annual Policing/Best Value Performance Plan. On an annual basis, the Police Authority sets targets for the coming year in conjunction with partners.
- The Performance Scrutiny Committee considers both performance against annual policing plan targets and progression with the key areas of business change contained within the annual policing plan. Any items of concern to the Committee will be referred to the full Police Authority.

### **3.3 The facilitation of policy and decision-making**

- Humberside Police Authority employs the following hierarchy for decision-making:
  - Police Authority and Standing Committees (with their terms of reference)
  - Contract Standing Orders, Financial Regulations and Anti Fraud and Corruption Statement
  - Decision Records
  - Delegated authority
  - Force Practice Directions.These levels of the hierarchy set out how the Authority operates and how it makes decisions.
- Policies are reviewed and amended to reflect changes in regulations and working practices when necessary.
- Regular facilitated workshops for Members are arranged to identify and discuss issues which affect the Authority.
- Section 96 of the Police Act 1996 places a requirement on the Police Authorities to consult with the public in respect of policing. In addition, under the principles of public service reform and the commitment of the government to introduce “Citizen-Focused Policing”, the Authority has developed ways of consulting with communities so as to secure an in depth understanding of the views, needs and expectations of individuals and local communities. Further, the Authority, through its Consultation and Partnership Committee, seeks to ensure that those views are routinely reflected in the decision making, service delivery and practice of Humberside Police. This is achieved through a range of consultative processes including widespread public forums and public opinion surveys.

### **3.4 Ensuring compliance with established policies, procedures, laws and regulations**

- Humberside Police Authority has a strong managerial framework that is supported with policies and procedures in all key areas. Senior managers review controls in place to ensure objectives and obligations are met.
- The Chief Executive and Clerk is the Authority's Monitoring Officer. The Treasurer is the Authority's Section 151 Officer. Both are responsible for ensuring lawfulness and prudence in particular areas of the Authority's responsibilities.
- There are procedures for complaints against Members, secretariat staff, chief police officers and operational complaints of a conduct and direction and control nature. Arrangements are in place for whistle-blowing to which staff have access.
- Arrangements are in place for Members and officers to declare their pecuniary interests.
- Whilst Managers are responsible for ensuring that the internal controls throughout the Authority are adequate and effective, an Independent Internal Audit Service is provided by North Lincolnshire Council. Their role is to contribute to the proper economic, efficient, and effective use of resources by providing the Treasurer with an assurance as to the effectiveness of the various systems of internal control. This is performed by : -
  - Providing an independent appraisal function,
  - Reviewing the internal control systems of Humberside Police Authority, and ensuring compliance with policies, procedures, laws and regulations, and
  - Examining, evaluating and reporting on internal controls, to ensure the integrity and reliability of data and to safeguard the Authority from losses arising from fraud irregularity, or corruption.
- In addition, a 2 year internal Audit and Inspection Programme commenced during November 2004 led by the Force's Audit and Inspection Unit. The programme is based on feedback from all the Branches and Divisions within the Force, as well as relevant HMIC and Audit Commission reports, which identify the risks the Force is exposed to. The programme is regularly reviewed by the Force Audit Board (see below) to maintain its relevance. The Force Audit Board can modify and re-prioritise the programme as required. The purpose of the audit and inspection programme is to:
  - ensure compliance with Practice Directions, policies and guidance documents;
  - benchmark performance against other forces and organisations and disseminate good practice;
  - identify inefficiencies and point out improvements; and
  - check on the quality and integrity of data.

- Branches and Divisions also regularly carry out various ‘in-house’ audits of their own, which include:
  - NCRS compliance of incident logs and crime reports
  - compliance with custody procedures
  - data security compliance on PNC
  - information security
  - checks for the misuse of IT systems and unlicensed software
  - compliance with operational procedures involving firearms and fingerprints
  - adherence to Health & Safety regulations and codes
  - budget monitoring
  - data quality of performance indicators
  - the recruitment, retention and progression of minority staff; and
  - complaints against the police.

### **3.5 Identifying, assessing and managing the risks to the Authority’s objectives**

- Risk management arrangements are in place in the Force and have been improved during the year. Significant work has already taken/is currently taking place to ensure risk management is embedded throughout the Authority through the appointment of key staff.
- The production of a Force model for the risk management process has begun. This will eventually become an integral part of the Force’s performance regime, ensuring that risk is managed and owned at the most appropriate level. Eighteen senior members of the Force have been provided with the appropriate training in this area. The initial stage of this work has involved the commencement of a mapping exercise of those significant risk management systems already in place. Corporate Development Branch is leading on this piece of work and the draft model will be ready for consultation by 1 October 2005.
- During the year the development of the Force Audit Board underpinned by the Force Environmental Scanning Officer and the Audit and Inspection Unit, has provided a focus for risk identification and development of the approach to risk. Achievements include:-
  - Identifying, recording and categorising key risks into three separate parts (Part A (restricted document) relating mainly to sensitive operational matters, Parts B & C relating to Development and Critical risks that face the Force) through environmental scanning and continuous contact with Divisional and Branch staff, to form the Force Risk Register.
  - Each risk has a Chief Officer lead identified and controls are put in place to manage all risks.
  - Part A of the Risk Register is reviewed monthly by the Deputy Chief Constable to determine whether sufficient control measures are in place to minimise the risk to an acceptable level.

- The Force Audit Board examines each risk in Parts B and C to determine whether sufficient control measures are in place to minimise the risk to an acceptable level.
  - Force Audit Board examination of each risk to determine whether sufficient control measures are in place to minimise the risk to an acceptable level.
  - Deploying the Force Audit and Inspection Unit on specific risks scheduled in a 2-year Audit and Inspection Programme.
  - Monitoring specific risks arising from the Risk Register and Audit and Inspection Programme, through internal audits and inspections delivered to specific terms of reference by a Division/Branch or by the Force Audit and Inspection Unit.
  - Force Audit Board examination of the resulting Improvement Plan and regular updates to the Board by the ACPO sponsor until completion of the Plan, plus review 6 months after the completion date.
  - Archiving and recording the risks discharged by Force Audit Board.
- Internal control is also exercised in respect of the Force's insurance function by means of an annual assessment of potential liability and the relation of such liability to the amount of the Force's provision by way of self insurance. The appropriate means are in place for advice to be provided by the Force's insurance brokers or by independent professional risk managers and loss assessors.
  - Internal Audit take risk into account in their audit planning and prioritisation of work.

### **3.6 Ensuring the economical, effective and efficient use of resources, and for securing the continuous improvement in the way in which its functions are exercised.**

- The Police Authority ensures economic, effective and efficient use of resources through its Best Value Reviews and scrutinising force performance and has recently started to attend a number of the Force Boards eg Call Handling, Force Audit Board etc.
- In conjunction with the Police Authority, the Chief Constable implements a programme of Best Value Reviews to obtain continuous improvements in local policing. Best Value Reviews (and other processes) are used to identify ways of improving performance.
- The programme of Best Value Reviews is risk-assessed annually via the Best Value Steering Group (BVSG) which is jointly chaired by the Police Authority Chair and Deputy Chief Constable. The Chair of the Performance Scrutiny Committee also sits on the BVSG. This assessment is reported back to the Performance Scrutiny Committee for discussion and approval.
- The Policing Performance Assessment Framework (PPAF) and Public Service Agreement Indicators and Targets are used by Home Office, HMIC (Her Majesty's Inspectorate of Constabulary), the Police Authority and the Force to assess and compare Force, BCU and CDRP (Crime and Disorder Reduction Partnership) performance.

- The Audit Commission and Her Majesty's Inspectorate of Constabulary (HMIC) subject the Police Authority to close scrutiny. HMIC assesses police performance and the extent to which Best Value is being achieved, and identifies scope for improvement through inspections (usually carried out annually). The Audit Commission review the Best Value performance element of the Annual Policing/Best Value Performance Plan and certify our compliance (or otherwise) with the statutory requirements.
- The efficiency process is an important element of the Best Value regime and is subject to rigorous inspection by HMIC with support from the Audit Commission. This ensures that only permissible savings are counted.
- The Police Authority and the Force must ensure that a link between resources and performance outcomes is established. An efficiency gain is achieved by increasing or improving the service delivered from the same or fewer resources. This can result in cash savings or improvement/extension of services through better use of resources. For the 2005/06 year, a Member of the Police Authority now sits on the force Efficiency Plan Steering Group and Efficiency Plan progress is monitored and scrutinised on a quarterly basis by the Performance Scrutiny Committee.
- The Annual Efficiency Plan Certificate is also signed by both the Chief Constable and Treasurer, ensuring that savings are removed from the base budget.
- A strict system for the detailed monitoring of the resources in place within the Force. This includes:
  - A four-weekly audit to reconcile the actual and funded staffing levels for all staff.
  - Staff turnover is recorded electronically in the Annual Report Book. This informs the recruitment prediction model whereby the number of new recruits can be predicted. This information assists in the planning of recruitment and training.
  - All of the above information is used during the submission of Home Office returns, in particular for the purpose of meeting the Crime Fighting Funds Continuation Criteria.
- For matters relating to the 'Employee Relations' function the following measures have been established:
  - Attendance Management - Practice Directions, which are continuously reviewed, are designed to ensure that attendance is maximised and staff are available for service delivery. Such an effective system results in both direct and indirect savings to the Organisation.
  - Occupational Health and Welfare continuously monitor and evaluate the effectiveness of their services provided to staff.
  - Performance indicators are set which are designed to ensure the provision of an efficient and effective service supporting the health, welfare and safety of staff.

- For the area of ‘Staff Development and Training’ the following structures are in place:
  - The Training and Supervision Board fix the annual training calendar and approve all subsequent training requests. As a result, only training approved by the Board will be delivered, thereby ensuring organisational priorities are met in relation to training and development.
  - The Staff Development Section is responsible for identifying the skills and performance gaps within the Force in order to generate appropriate training solutions.

### **3.7 The financial management of the Authority and the reporting of financial management**

- The Chief Constable is accountable to the Police Authority and the Treasurer for the financial control of the Force’s affairs. The Financial Regulations determined by the Police Authority outline the roles, responsibilities and parameters for managing the Authorities Financial resources.

The Police Authority determine the Revenue and Capital budgets every February for the forthcoming financial year. Transfer of approved budget (virements) in relation to the approved budget that exceed £250,000 require Police Authority approval.

The Budget Monitoring procedure currently in place is as outlined below;

(a) Police Authority

All virements in excess of £100k be they for approval or information are reported as a standing item to the Police Authority.

Budget Monitoring is a standing item on the Audit and Strategy Committee agenda. The reports highlight major variances with explanations in line with the requirements of Police Authority Financial Regulations and in the second half year provide indicative outturn estimates. At the end of the financial year the final outturn position on revenue and capital Budgets are reported with requests to carry forward funds committed but not spent to the forthcoming financial year.

The Authority approve the statutory Annual Accounts prior to external audit and authorise the publication of these accounts post external audit.

(b) In Force

Divisional/Branch Senior Management Teams receive monthly budget monitoring information, and determine any corrective action to be undertaken.

From September each year, monthly budget monitoring reports are presented to the Force Strategy Team highlighting areas of concern, proposed remedial action and estimated outturns.

At the end of the financial year the Chief Constable in Strategy Team determines the actions to be undertaken regarding under/over spends to be recommended to the Police Authority for approval.

During 2004/5 Budget Monitoring reports have been provided to the Audit and Strategy Committee. The style of the report has changed in response to requests for more information and will continue to change to ensure that Budget Monitoring is robust and transparent.

### **3.8 Performance management of the Police Authority and the reporting of performance management**

- In addition to that covered above, Police Authority Members gain knowledge of performance issues:
  - At a tactical level through involvement of a small number of lead Members at Divisional Performance Challenge Meetings each month in 2005/06
  - At a strategic level through attendance by Members at the Chief Constable's Strategic Performance Conferences each quarter
  - Through discussion of issues and iQuanta data at monthly Performance and Resources Progress Group meetings
  - and most recently, through involvement of a small number of lead Members at Divisional Workload Allocation Database Audits (quarterly) and Data Quality Audits (bi-monthly)

## **4. REVIEW OF EFFECTIVENESS**

4.1 Humberside Police Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Chief Officers and the Chief Executive (Monitoring Officer) and Treasurer who have responsibility for the development and maintenance of the internal control environment. This is underpinned by comments made by the HMIC, external auditors and other review agencies and inspectorates.

4.2 Key areas of the review of the effectiveness of internal control can be summarised as follows:-

### **Internal Audit**

- Audit & Strategy Committee is apprised of the recommendations made by Internal Audit to improve the overall control environment, actions agreed with Managers following the audits and progress made against actions agreed at previous audits.

- Corporate governance arrangements are evaluated by internal audit against the CIPFA/SOLACE best practice framework. The 2004/5 audit reported some improvement since the previous audit. Whilst a number of agreed actions had not been fully met, the audit found evidence that some progress has been made and this progress continues into 2005/06.

## **HMIC**

- carry out a baseline assessment annually in September/October. The timing of the assessments is to assist in the annual budget/priority setting by the Police Authority and Force. As part of this process, HMIC carry out interviews with the Chair and Chief Executive. The outcome from the baseline assessment is reported to the full Police Authority. The results from the 2004 assessment were reported to the Police Authority on 30 November 2004 and can be summarised as follows:

Excellent:	1 area of business
Good:	4 areas of business
Fair:	4 areas of business
Poor:	7 areas of business
Not Graded:	11 areas of business

- In addition to this, HMIC also assess the efficiency plan on a quarterly basis (excluding the first quarter of each year, i.e. April-June). The results of their assessment are reported back to the Performance Scrutiny Committee as a standing agenda item. Annually, in around July, a certificate is provided to both the Force and Police Authority outlining whether we have achieved our efficiency plan.

- HMIC also carry out a series of BCU inspections. The Association of Police Authorities (APA) and HMIC have an informal agreement in respect of Police Authority involvement. This includes:-

- HMIC consulting the Police Authority to seek its views on the BCU under inspection. In particular, ensuring that HMIC speak to any "link" or "designated" Member for the BCU area
- The Police Authority being present at any de-brief provided to the Chief Constable on the Inspection
- The Police Authority being sent a copy of the draft Inspection report and having the opportunity to comment before it is finalised
- The results of the BCU inspections are reported back to the Chair and Clerk.

- HMIC carries out a Best Value Inspection annually, usually around August-September. They come into the Force and inspect our Best Value process, i.e. the process we use to carry out Best Value Reviews of the service functions. At the end of each inspection, HMIC provide an Interim Challenge Meeting where they present their emerging findings, key judgements and recommendations from the inspected reviews. HMIC then publishes a report with recommendations. The recommendations are reported back to both the Best Value Steering Group and Performance Scrutiny Committee and progress with implementation is monitored.

## **Audit Commission**

- carry out a programme of work each year to assess the adequacy of the control environment in place and reviews of specific areas of service delivery. The findings are summarised in the Annual Audit and Inspection Letter 2003/4. The auditors concluded that there are generally effective systems of internal financial control in place but the Authority needs to develop its own risk management arrangements which link into the developments within the Force

- The external auditor made some recommendations in May 2005 regarding the format of the risk register which are currently being developed.

### **Structures within the Police Authority**

- The Police Authority, Committees and Force Boards monitor and review various internal controls on a regular basis in line with their areas of responsibility

## **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

5.1 During the year, the following internal control areas have been addressed:-

- Provision by Chief Constable of a Statement of Assurance on internal control and risk assessment, particularly focussing on the operational risk management (informed by the work of the Force Audit Board)
- Operation Winter was a response to the conviction of Ian Huntley in December 2003, and to the subsequent announcement by the Home Secretary that there would be an Independent Inquiry into the events surrounding his crimes. Operation Winter was an extension of the work of Operation Wheel which had sought to understand the Force's history of contact with Huntley.

The Purpose of Operation Winter was to carry out a comprehensive review of the Force's gathering, recording, retention and use of information and intelligence. The operation was directed by a Gold Group, chaired by the Chief Constable. It met weekly and included all Chief Officers and a member of the Police Authority.

Operation Winter focused on delivering specific outcomes, and at its heart had a comprehensive Delivery Plan. This was monitored on a weekly basis by the Gold Group.

Operation Winter addressed numerous discrete issues, including vetting, information management, compliance with the National Intelligence Model, audit and compliance, of all relevant systems, and all related training issues. Its intention was to encompass the Force's intelligence function and to address the specific shortcomings which had been identified in the course of Operation Wheel and in the work undertaken in preparation for the Bichard Inquiry.

The target date for completion of the Delivery Plan was December 2004. In fact, 97% of the Delivery Plan was completed by November 2004. There were two outstanding matters, namely the Force Briefing and Tasking System, and CIS IV, both of which were major Force projects which formed part of the Force's Business Change Programme.

As a result of meeting delivery targets, Operation Winter was formally closed in December 2004.

Additionally, certain specific issues fell out of the work done as part of Operation Winter. For example, the Information Compliance Unit sought accreditation for its vetting and disclosure functions and obtained the British Standards Institute's ISO9001 (Quality Management Systems) Certificate on the 6th December 2004.

As a result of Operation Winter the Force has seen a significant growth in resources via a Police Authority approved business case applied to its intelligence function. Humberside Police now has a Force Manual of Guidance which it has shared with other Forces. Senior officers from the Force have contributed to a number of national seminars on issues related to policing intelligence matters. In September 2004 the Force hosted a conference which was attended by the vast majority of other UK Police Forces. The important lessons learned as a result of the Bichard Inquiry and Operation Winter were shared with delegates.

As a result of the difficult experiences arising out of the Bichard Inquiry, we would now maintain that the work generated by Operation Winter has put Humberside Police at the forefront in terms of its handling of intelligence and information.

- As a result of the work of Operation Winter several internal control issues have been addressed through the development of information technology systems. These are:
  - The creation of a Data Warehouse system, built to corporate data model standards, to allow single point access to numerous databases utilised by the Force.
  - The implementation of 'Autonomy' as the data warehouse search engine.
  - A link with South Yorkshire Police created to provide 'Autonomy' searching across data held by both Forces.
  - There is also a project underway to re-engineer Crime & Intelligence systems, including the Domestic Violence database.
  - A further phase of development is planned for the Child Protection and Missing Persons databases.
  - The Force is a 'paid-up' member of the Cross Regional Information Sharing Project (CRISP) Consortium and is awaiting the national project for implementation.
  - The Force's Information Strategy and Information Management Strategy have been reviewed and updated.
  - Relevant policy and guidelines (practice directions) are in place including:-
    - Database systems (assessment of need)
    - Acquisition of Hardware & Software
    - Use of Internet
    - Use of e-mail
    - Accessing Electronic Information outside the office environment (Home working).


5.2 The following specific areas of internal control are currently being addressed:-

- Corporate Governance - as stated above, the internal audit report into corporate governance in the Police Authority found that although some progress had been made, some actions remained outstanding. Many of these areas are currently being pursued including a Code of Corporate Governance, Risk Management Strategy for the Police Authority, Scheme of Delegation and Protocol governing relationships between Members and Officers. An action plan will be considered by the Authority's Audit and Strategy Committee in September 2005 to include the

review of key documents such as financial regulations and contract standing orders.

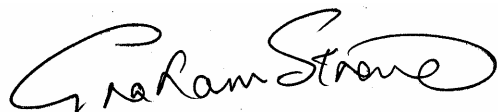
- The role of the Audit & Strategy Committee with regard to internal control and risk management will be enhanced. This will be facilitated through the submission of regular reports on internal control and risk management generally, and specifically progress reports from the Force Audit Board and involvement in the preparation of the SIC throughout the year
- The PSU (Police Standards Unit) currently engage with the Force/Police Authority to assist us in reducing our performance 'gap'. The Police Authority / Force/ HMIC and PSU are working together to agree a general disengagement criteria/protocol

5.3 Based on the above and completion of actions set out in section 5 we consider the Authority's system of internal controls to be adequate and effective.



Signature of Chief Executive to the Police Authority

Date: 28 September 2005



Signature of Chair of the Police Authority

Date: 28 September 2005

Signature of Chief Constable

Date: