

## WYPCC – Decision

**From:** Judith Heeley

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<b>Timing:</b>	Pressing – for publication in the draft statement of accounts
<b>Purpose:</b>	Approval of the Annual Governance Statement
<b>Cleared by:</b>	Fraser Sampson

### **SUBJECT OF ADVICE Annual Governance Statement**

**Summary:** The Accounts and Audit (England) Regulations 2011 require the PCC to publish an annual governance statement prepared in accordance with proper practice describing the governance framework in place and the annual review of effectiveness of the framework including the system of internal control. Any significant areas of development must be outlined together with an action plan to address them.

**Recommendation:** That the PCC agrees the annual governance statement set out in the attached appendix.

**Consideration:** The draft statement for 2012/13 is attached at Appendix A. Evidence from the annual opinion from internal audit, relevant audit and inspection findings from the external auditor and Her Majesty's Inspector of Constabulary, the work of the former Authority's Committees and issues arising since the election of the PCC in November 2012 have been reviewed in forming the view on the effectiveness of both internal and external governance arrangements including the planning framework, systems for performance, financial and risk management, and wider governance issues such as community engagement, accountability and partnership arrangements.

A definition of significant governance issues is provided, to assist the reader's understanding of the nature of issues which would be included in the statement. On the basis of this definition there is one issue to report for 2012/13, and action is already underway to address this.

The statement must be signed by the PCC and Chief Executive with independent assurances provided by the PCC's Chief Finance Officer on issues of financial propriety, and the Monitoring Officer on legality and standards of ethical conduct.

**Affordability:** Opportunity costs only incurred in preparation of the statement.

**Supporting and Dissenting Views:** The draft statement has been contributed to by managers within the OPCC with responsibility for various areas of activity. The statement itself was presented to the joint independent audit committee on 14 June, and members recommended it for adoption by the PCC.

**APPENDIX:** Draft Annual Governance Statement

## **ANNUAL GOVERNANCE STATEMENT**

On 21 November 2012 the West Yorkshire Police Authority (WYPA) was abolished and replaced by the Police and Crime Commissioner for West Yorkshire (PCC), an elected individual established as a corporation sole. This annual governance statement reflects both the WYPA governance framework and the new governance framework put in place for the PCC for the year ended 31 March 2013, including plans for the financial year 2013/14.

### **Scope of Responsibility**

On the abolition of the WYPA, the PCC for West Yorkshire became responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

The PCC is currently reviewing the code of corporate governance to ensure it reflects the new governance arrangements. The revised code will be consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy will be made available on the website at [www.westyorkshire-pcc.gov.uk](http://www.westyorkshire-pcc.gov.uk) or one can be obtained from the Chief Executive, Ploughland House, 62 George Street, Wakefield, WF1 1DL.

This statement explains how the PCC has complied with the principles of the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

In drafting the PCC Annual Governance Statement reliance has been placed on the governance processes within West Yorkshire Police (WYP), as reflected in the WYP Annual Governance Statement which is published alongside the accounts of the Chief Constable.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which the PCC is directed and controlled and its activities through which it accounts to and engages with the community. It enables the PCC to monitor the

achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot 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 the PCC'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 effectively, efficiently and economically.

## **The Governance Framework**

The key elements that comprise the governance arrangements that have been put in place for the PCC and WYP include:

### **Identifying and communicating the PCC's vision of his purpose and intended outcomes for citizens and service users**

Under the previous statutory arrangements, a joint WYPA/WYP group developed a longer term vision and strategy which was incorporated into the Policing Plan approved by the full Authority.

The PCC made his commitments for policing clear in his election pledges and has set out further commitments in his Police and Crime Plan 2013-2018 which sets out a strategic vision for policing and crime prevention across West Yorkshire over the next five years. This pays due regard to the Strategic Policing Requirement and was developed in close consultation with the public of West Yorkshire as well as a wide range of key stakeholders and partners. The Partnership Executive Group, which has a membership at strategic level from policing, community safety, the wider criminal justice system, victims and third sector organisations has played a key role in developing this strategic vision and the Police and Crime Panel were rightly consulted on the Plan.

The Police and Crime Plan is based on the PCC's Community Outcome Framework, a shared vision with partners, and has the overall aim of ensuring that communities in West Yorkshire are safer and feel safer. Local priorities have been set in consultation with individuals and organisations and community safety partnerships to sit alongside the Plan.

These were launched by the PCC in each of the five district council areas in early June 2013 with the Chief Constable, who has the responsibility to deliver on these priorities through WYP.

The Plan has been communicated widely via media (including social media such as Facebook, Twitter, You Tube), existing contacts and events and groups attended by the PCC or PCC representatives. The local priorities will also be communicated widely via these same methods.

### **Reviewing the PCC's vision and strategy and its implications for governance arrangements**

The Authority reviewed its vision, strategic direction and business arrangements annually and agreed any changes to the overall governance framework at its Annual General Meeting. The focus of its final year was on preparation for the introduction of police and crime commissioners, managed through a Transition Board comprised of a wide range of key stakeholders and partners.

Reviewing and renewing the vision and strategy as set out in the Police and Crime Plan will be ongoing as the PCC continues to consult with the Partnership Executive Group but also with a wide range of partners delivering on the ground, community groups and projects, public engagement and consultation events conducted by the PCC but also the Office of the PCC (OPCC).

A Partnership Conference brought together partners in May 2013 to look at a model for collective delivery and this work is ongoing with partners looking at how best to work together to meet the priorities as set out in the Plan.

There are regular strategic planning days with the Command Team to look at how WYP can best deliver on the priorities in the Plan and a project team has been established under the strategic direction of the PCC and the Chief Constable to look at Stage 2 Transfer and how the future employment and direction and control of police staff can best serve the interests of the people of West Yorkshire.

This will all be done in consultation with the Police and Crime Panel.

### **Monitoring performance against operational, financial and other strategic plans**

The WYPA scrutinised the performance of WYP through its various committees and scrutiny groups. Divisional and departmental performance against objectives, targets, budgets, value for money and activity was managed by WYP chief officers on a regular basis, with WYPA involvement via its link member scheme.

The PCC monitors performance at a monthly accountability meeting, which comprises all senior leaders in the force. The PCC also holds the Chief Constable to account for the performance of the force at a weekly Community Outcomes Meeting, reported publicly via the website.

Further methods for performance management are currently being established, which will include monthly and quarterly reporting on indicators, commitments and wider relevant information.

### **Measuring the quality of services for users, to ensure that they are delivered in accordance with the PCC's objectives and represent best use of resources**

WYPA managed a comprehensive survey programme that produced reliable and independent information at a neighbourhood level to assess public satisfaction with policing and understand local priorities and concerns.

This survey has continued under the PCC. For the financial year of 2012/13 15,599 completed questionnaires were received from members of the public, representing a 17% response rate.

In addition to this, the Listening to You First survey was undertaken in December 2012, which looked at local priorities, experiences of being a victim and feelings of safety. 2,176 responses were received and these results fed into the Police and Crime Plan. There are plans to repeat a similar exercise later in the year.

Consultation around feelings of safety and local safety concerns is being undertaken at a wide range of events across West Yorkshire this summer and further ways of monitoring quality of service and perceptions are being developed.

An additional avenue for people to raise issues with the PCC is via a surgery. These were introduced in March 2013 and are still in the early stages of development, with a number of different models being trialled. All models involve giving constituents an appointment with the PCC at one of the pre-advertised monthly surgery dates. Different options for selecting the venue for the surgery have been trialled to date, such as advertising a particular venue and selecting a venue based on where those that have requested an appointment live.

### **Risk Management Processes**

WYPA maintained its own risk register which latterly focussed on the risks associated with transition to the new governance arrangements. It also kept a strategic oversight of risk management arrangements in force through attendance at the Risk Management Group chaired by the Deputy Chief Constable and via reports to its Audit and Risk Committee.

Work is underway to combine the PCC and WYP Risk Management strategy and processes. Although the risk registers will remain separate a consistent approach to the scoring and prioritising of risks will be agreed. One of the key developments will be the increased use of external community focused impact indicators. This will ensure that the PCC's community outcomes are sufficiently reflected in the management of risks.

### **Defining and documenting the roles and responsibilities of the PCC and WYP and its senior officers, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising WYP activity**

The roles and responsibilities of the WYPA and its committees were clearly defined in individual terms of reference, and included arrangements for challenging and reviewing WYP activity. Resource Standing Orders defined the roles, responsibilities and delegated powers of the Chief Executive, Treasurer, Monitoring Officer and Chief Constable.

The PCC's Scheme of Delegation, Financial Regulations and Contract Regulations have been developed in accordance with the Home Office Financial Management Code of Practice to enable effective accountability and govern the relationship between the PCC and WYP. There is a decision making framework which ensures that all decisions by the PCC are published and available for public scrutiny.

### **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff**

WYPA members were bound by a code of conduct and the Standards Committee was responsible for ensuring that they were aware of their responsibilities under the code and received guidance on ethical standards and behaviour.

There is an officer code of conduct which was reviewed as part of the preparations for transition to the new governance framework. In line legislative changes the Monitoring Officer for the PCC is the Chief Executive and Solicitor.

### **Reviewing and updating standing orders and supporting documentation, which clearly define how decisions are taken and processes and controls required to manage risk.**

The WYPA's decision making processes were clearly defined in standing orders and supporting financial and contract regulations, and these were reviewed on an annual basis to ensure that they remained fit for purpose.

These have now been replaced with the PCC's Scheme of Delegation and Financial regulations, incorporating Contract Standing Orders.

### **Undertaking the core functions of an Audit Committee**

The Authority's Audit and Risk Committee undertook the core functions of an Audit Committee and in line with CIPFA guidance considered issues in relation to internal control, risk management and treasury management, receiving regular reports from internal and external audit.

A Joint Independent Audit Committee has been in place since November 2012, providing independent assurance to both the PCC and the Chief Constable on the adequacy of the corporate governance and risk management arrangements and the associated control environment.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

The WYPA and now the PCC has a duty to ensure that it acts in accordance with the law and associated regulations. The Monitoring Officer and Chief Finance Officer (formerly Treasurer) have statutory responsibilities in this regard, and Internal Audit provides an assurance function and an annual independent objective opinion on the control environment, comprising risk management, internal control and governance.

All decision notices taken to the PCC include legal implications.

### **Whistleblowing and receiving and investigating complaints from the public and handling citizen and other redress**

WYPA monitored the processes for dealing with complaints against police officers and police staff through its Audit and Risk Committee, and had its own complaints procedure in respect of decisions made by the Authority.

A confidential reporting policy is in place to enable officers and staff to report any concerns about malpractice or unlawful actions without fear of retribution.

The PCC has made a commitment to putting things right and has a range of policies in order to deal with public complaints. Further resources are being devoted to case work and complaint handling with the creation of specific email addresses and briefing and decision templates to record the action taken by the PCC. Public surgeries are arranged on a monthly basis where individuals can make an appointment to raise issues with the PCC.

Complaint handling in WYP is monitored in regular meetings between the Chief Executive and the Head of Professional Standards Department or the Independent Police Complaints Commissioner (IPCC). Specific case work or complaint matters are raised in community outcome meetings between the PCC and the Chief Constable. Internal Audit continues to dip-sample complaint files and the PCC is represented on the Independent Advisory Group for the Professional Standards Department.

Matters which are contentious, repercussive or novel are raised in quarterly meetings of the PCC's Good Governance Group which is chaired by the Chief Executive.

### **Determining the conditions of employment and remuneration of officers and staff**

There are national terms and conditions for police officers, and an approved job evaluation scheme is in place for police staff based upon role profiles for each post. Regular strategic and local consultation is undertaken with staff associations and trade unions.

The PCC has made a commitment to observe the provisions of the trade unions' Police Staff Employment Charter.

### **Identifying the development needs of members and officers in relation to their strategic roles, supported by appropriate training**

There is a performance development review process in place which sets objectives and identifies training needs.

A programme of activity took place in advance of the transition to the new governance arrangements, including the development of a framework in conjunction with Skills for Justice, using National Occupational Standards and based on the functions required by the OPCC in supporting the PCC to fulfil his role and responsibilities, supported by identification of personal qualities required of officers at different levels.

Members of the joint independent audit committee undertake development on a regular basis appropriate to their role.

### **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Authority had a statutory duty to consult with the public and achieved this through a variety of means, both formal and informal, as set out in its Community Engagement Strategy.

The PCC launched the biggest consultation of its kind 'Listening to You First' in the first week of taking office to properly understand the needs and priorities of all people across West Yorkshire. This was a wide ranging consultation that included a survey sent to existing contacts, community groups and key stakeholders. It was also promoted via media and social media sources, and stakeholders and key local venues (such as community centres) were asked to promote the survey. Since then he has held stakeholder roundtable events in each of the districts and a conference on hate crime.

The PCC intends to build on his web and social media based consultation and will be soon setting up a Youth Advisory Group as he committed to during the election campaign and again in the Police and Crime Plan. The PCC continues to be public facing and engage with all sections of the community, partners and stakeholders to make sure that he is accountable day to day to the people he serves and continues to consult regularly and meaningfully with the people of West Yorkshire.

### **Incorporating good governance arrangements in respect of partnerships and other group working, and reflecting these in the PCC's overall governance arrangements**

A key strength of the Authority's transition planning was the engagement of a wide range of partners and stakeholders on its Transition Board, and through a number of partnership events which prepared both statutory and voluntary sector organisations for new ways of working post the election of the PCC.

The PCC agreed to continue the good practice by involving a wide range of partners and members of the public in setting his strategic direction. The *Listening to You* campaign began in December 2012 and was completed prior to publication. The findings from discussions, stakeholder events and survey findings complemented a strategic need analysis to inform the first Police and Crime Plan for West Yorkshire which was published at the end of March 2013.

The PCC has maintained the strength of the Transition Board which has continued to meet and has evolved into a Partnership Executive Group with a membership at strategic level from policing, community safety, the wider criminal justice system, victims and third sector organisations. In moving into the deciding delivery of the Police and Crime Plan a wide range of partners are being consulted. The Partnership Executive Group provides the steer for this.

The Police and Crime Panel for West Yorkshire was established during the summer of 2012 and operated in shadow format until the end of November. Protocols were agreed and were in place soon after the election. The Panel both supports the work of the PCC and provides scrutiny on the delivery of the Police and Crime Plan on behalf of the people of West Yorkshire.

The Panel has a number of key statutory functions:

- to review and provide a report on the Annual Report and the Police and Crime Plan;
- to hold Confirmation Hearings for the posts of Deputy Police and Crime Commissioner, Chief Executive and Chief Finance Officer
- to agree the appointment of Chief Constable (with the power to veto)
- to agree the precept (with the power to veto)

In the first five months of the Police and Crime Panel, it has agreed the appointment of Chief Constable, held a Confirmation Hearing on the appointment of Deputy Police and Crime Commissioner, agreed the precept, and reviewed the draft Police and Crime Plan providing supportive feedback in the report to the Police and Crime Commissioner.

### **Role of the Chief Financial Officer in Local Government**

CIPFA have published a “Statement of the Role of the Chief Financial Officer in Local Government” which describes the role and responsibilities of the CFO and sets out five key principles that define the core activities and behaviours that underpin the role, and the organisational arrangements required to support them. There is an expectation that authorities will comply with the statement or explain their reasons for not doing so.

The five key principles are that the CFO

- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority’s strategic objectives sustainably and in the public interest
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority’s overall financial strategy

- Must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Chief Finance Officer undertakes the role of CFO in accordance with the arrangements detailed in the Home Office Financial Management Code of Practice, and in compliance with the CIPFA statement.

### **Review of Effectiveness**

The WYPA, and now the PCC, has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and the system of internal control.

These reviews are informed by the work of internal audit and also managers within the Authority/OPCC who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.

The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below:

The WYPA and now the PCC has overall responsibility for the discharge of all the powers and duties placed upon it and has a statutory duty 'to maintain an efficient and effective police force'. The review and maintenance of the governance framework was undertaken by the Audit and Risk Committee, referring matters to the full Authority as appropriate. The Joint Independent Audit Committee has now taken on this responsibility and will continue to consider the adequacy of the governance framework, referring matters to the PCC and/or Chief Constable as appropriate.

As part of its transition planning, the Authority and its committees produced a number of legacy reports which set out for the PCC the key issues and risks it had identified through its work. The PCC considered these at any early stage and took action as appropriate to address them. This decision paper is available at <http://www.westyorkshire-pcc.gov.uk/your-commissioner/decisions/january-2013.aspx>.

The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within WYP at least annually. This review is informed by the work of the Assistant Chief Officer (Finance and Business Services), the Head of Risk and Insurance and managers within the WYP who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2012/13 the PCC has placed reliance on this review and the Annual Governance Statement of the WYP.

The WYPA Standards Committee was responsible for promoting and maintaining high standards of conduct by members. It met for the last time in October prior to the election when it agreed its Legacy document to be provided to the PCC.

Complaints against the PCC are now the responsibility of the Police and Crime Panel for West Yorkshire.

Internal Audit provided an independent opinion on the adequacy and effectiveness of the system of internal control and concluded that reasonable assurance can be given regarding the overall internal control environment but with limited assurance in some key areas.

In summary the most significant areas of concern identified by Internal Audit during 2012/13 relate to the following areas:

- Evidential Property
- Litigation Handling Processes
- Information Management

In relation to evidential property, this is an area which has caused concern over a number of years, and was regularly reported upon to the former WYPA Audit and Risk Committee. Internal Audit has been provided with assurances that weaknesses in the system and/or its operation are being addressed through reviews of both divisional and crime property systems within WYP and has included both pro-active and reactive work in this area in the 2013/14 audit plan.

In the Annual Audit Letter for 2011/12, the external auditor reported that he had issued an unqualified opinion on the Statement of Accounts and an unqualified conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in use of resources. He also reported that he had not identified any significant weaknesses in the Authority's internal control arrangements.

### **Significant Governance Issues**

Significant governance issues are defined as

- An issue which has prevented or seriously prejudiced achievement of a principal objective
- An issue where additional funding has had to be sought in order to resolve it
- An issue which has resulted in a material impact on the accounts
- An issue which the Head of Audit and Risk has specifically highlighted in the annual audit opinion
- An issue which has attracted significant public interest and has damaged the reputation of the PCC and/or WYP
- An issue which has resulted in formal action being taken by the Chief Finance Officer and/or the Monitoring Officer.

In the face of a need to increase public confidence and trust in the governance and oversight of ethical and integrity issues, arising from internal and external scrutiny of policing activity, the PCC has instigated a strategic review of the arrangements for, and approach to, handling complaints and conduct matters within the WYP and the extent to which they support the West Yorkshire Police and Crime Plan 2013-2018.

The terms of reference for the review are available at <http://www.westyorkshire-pcc.gov.uk/putting-things-right> and the final report will also be made publicly available.

The PCC will ensure that communities are kept fully informed of progress and the impact of the change that takes place.

The extent of organisational change required to achieve the significant forecast budget reductions required, together with the need to prepare for and implement the transfer of police staff from the employment of the PCC to that of the Chief Constable, means that the PCC and WYP will continue to face an environment of increased uncertainty and risk.

This will be closely monitored by the PCC and the Chief Constable, who will continuously review the adequacy and effectiveness of the evolving governance arrangements and ensure that any improvements identified are implemented.

Signed

Mark Burns Williamson  
PCC for West Yorkshire

Fraser Sampson  
Chief Executive and Solicitor