



# POLICE AND CRIME COMMISSIONER FOR STAFFORDSHIRE AND CHIEF CONSTABLE FOR STAFFORDSHIRE

## Internal Audit Progress Report

Presented at the ETAP of

19 October 2018

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
will accept no responsibility or liability in respect of this report to any other party.



# CONTENTS

1 Summary of Progress to Date .....	2
2 Other matters .....	3
For further information contact .....	5
Appendix A: Key Findings from Internal Audit Work (Executive Summary, Scope, and High and Medium priority management actions only) .....	6

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review 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. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is solely for the use of the persons to whom it is addressed and for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB

# 1 SUMMARY OF PROGRESS TO DATE

Since the last ETAP we have issued **two final** reports from the 2018/19 internal audit plan.

Executive summaries, scopes and High and Medium priority management actions are appended in Appendix B.

**Reports shown in bold are being presented at this meeting.**

Assignments	Status	Date	Opinion	Actions agreed		
				H	M	L
FINAL REPORTS						
Financial Management – (Force)	FINAL	Audit started 06/08/18 and finalised 09/10/18	Partial Assurance	6	6	1
Risk Management (Joint)	FINAL	Audit started 06/08/18 and finalised 09/10/18	Substantial Assurance	0	0	1

<b>LOOKING AHEAD</b>		
Governance (OPCC)	Fieldwork in Progress	January 2019
Data Quality – Niche Implementation	Scope issued work to start 3 December	January 2019
Cash & Property	Scope issued and proposed date of w/c 21 January to be agreed	March 2019
Key Financial Controls	To be scoped and work to start w/c 19 November and 26 November	January 2019
Project Management	Scope to be agreed but meetings have taken place to draft scope and start dates	January 2019
Savings Programme	Scope to be prepared	March 2019
Procurement	Scope to be prepared. Potentially w/c 11 February 2019	March 2019
Follow Up	Fieldwork in Progress	January 2019

## 2 OTHER MATTERS

### 2.1 Changes to the internal audit plan

Since the previous ETAP meeting there has been one change to the internal audit plan:

Auditable area	Reason for change
Oracle/ERP	<p>Management have requested that this review be deferred until 2019/20, due to timings of Oracle implementation.</p> <p>It is proposed that the Procurement originally planned for 2019/20 will be undertaken in February 2019. The audit will be a joint OPCC and Force audit.</p>

### 2.2 Information and briefings

We have issued the following client briefings since the last ETAP which are appended to this report:

- Beyond the balance sheet – helping you bring governance into focus
- New forces at work – how to manage emerging people risks
- Emergency Services briefing September 2018
- Employment Update briefing October 2018



## 2.3 Key performance indicators (KPIs) 2018/19 Plan

Measure	Target	YTD Actual	Explanation of variance	Notes
Proportion of audit plan complete or in progress:			On track for completion.	100% target for the year.
%	100%	40%		
Average working days between debrief meeting and draft report being issued	15 days	5 days		
Average working days taken for management to respond to draft report	15 days	5 days		
Final report issued within 3 working days of management response	95%	100%		
% of staff with CCAB/CMIIA qualifications /qualified by experience on audits	50%	100%		QBE = 10+ years relevant sector experience

## FOR FURTHER INFORMATION CONTACT

**Daniel Harris, Head of Internal Audit**

[daniel.harris@rsmuk.com](mailto:daniel.harris@rsmuk.com)

Tel: 07792 948767

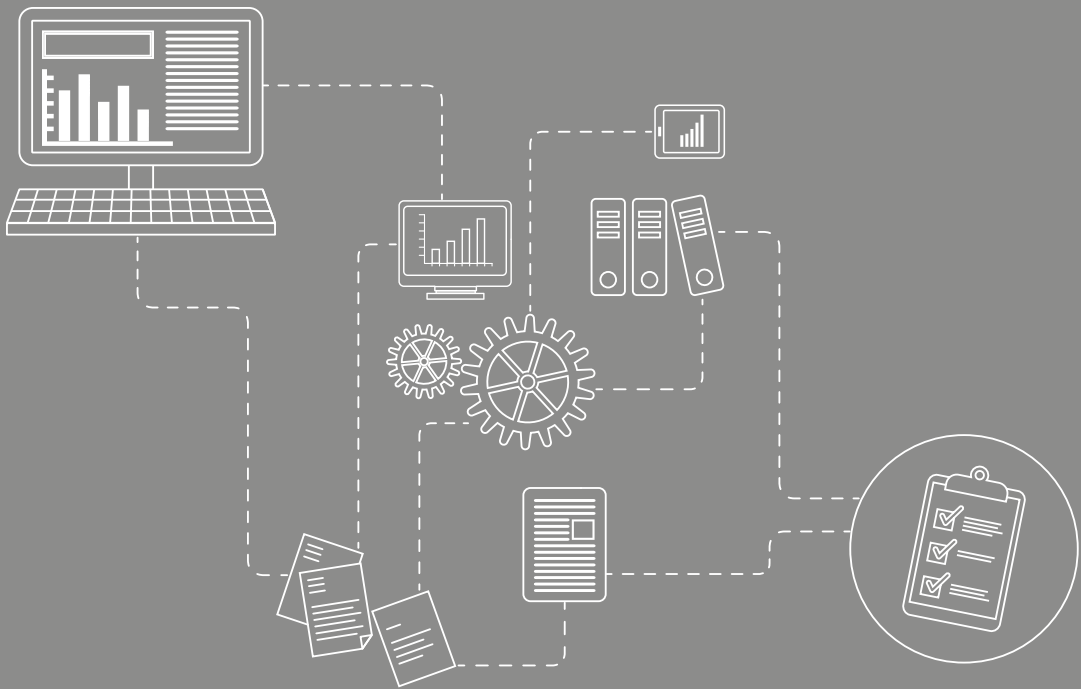
**Angela Ward, Senior Manager**

[angela.ward@rsmuk.com](mailto:angela.ward@rsmuk.com)

Tel: 07966 091471

# Beyond the balance sheet

Helping you bring governance into focus



# Beyond the balance sheet

Helping you bring governance into focus

# Contents

Beyond the balance sheet	05
General data protection regulation	07
Whistleblowing	10
Modern slavery	14
Gender Pay Gap	18
Equality and diversity	22
Payment practices	26
Money laundering	30
Tax evasion and bribery	34

## Beyond the balance sheet

For years, the balance sheet has been king. It has guided strategies, investments and boardroom decisions. It has given confidence to investors and shareholders and helped you forge new paths. But in an era of accountability and transparency, how much does it really say about your organisation?

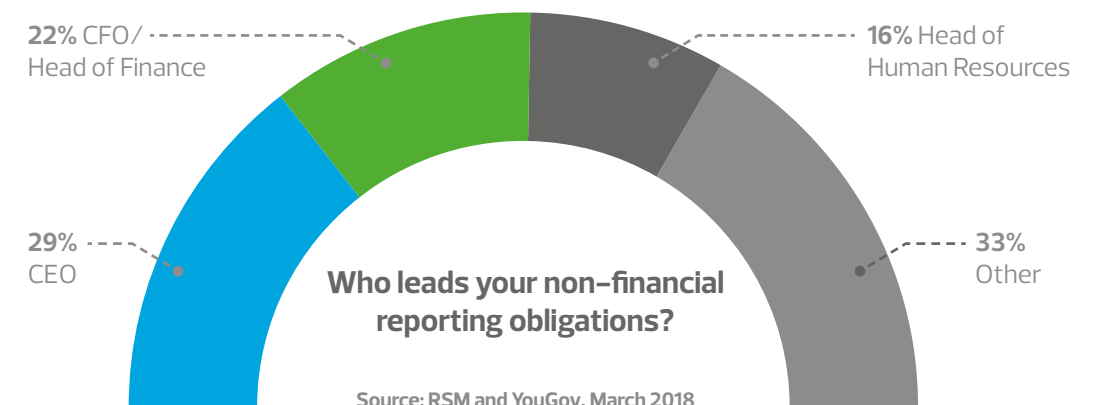
Over the past decade, there's been a major shift in our understanding of what it means to be a well-run organisation. Financial metrics are no longer the only yardsticks of success. Today, there is a widespread expectation that you'll also act with integrity to become a force for good.

The arrival of non-financial reporting (NFR) requirements have helped these changes take root. You must now publish details about your gender pay gap, payment practices and efforts to tackle modern slavery. For the first time, the public, the media and your employees have a window into the inner workings of your organisation. And a tool to hold you accountable.

We know that meeting these obligations is often an arduous task. Our research with YouGov shows that 57 per cent of middle market organisations think NFR compliance is excessive or demanding. But if you do it well, and voluntarily share more about your organisation than is legally needed, you'll quickly see an uplift in stakeholder confidence and business value.

With this in mind, we set out the key areas you should think about. This is not an exhaustive list, but it will help you bring governance into focus and ultimately become a modern, well-led and accountable organisation.

Are you thinking beyond the balance sheet?



# General data protection regulation

## What you need to know

In force from 25 May 2018, the General Data Protection Regulation (GDPR) affects how you store, manage and process personal data about EU citizens. Non-compliance may lead to fines of up to €20m or 4 per cent of your global annual turnover.

- Get explicit consent from individuals before processing their data.
- Adopt processes that allow you to meet an individual's right to be forgotten, right to data portability and right to object to data profiling.
- Appoint a Data Protection Officer if you complete large-scale data processing.
- Ensure third-party contractors meet GDPR requirements.
- Ensure your data processor data controller keeps records of personal data and processing activities.
- Report data breaches to the relevant authority within 72 hours and notify affected individuals.

one

The GDPR clock is ticking. You've raced to get ready. You know what data you store and where it came from. You've refreshed your policies, processes and procedures. And project teams have completed their readiness checklists. Unfortunately, the hard work isn't over yet.

### Ready, steady, test!

As you head into the first year of GDPR implementation, it's important to test whether your new processes will help you to meet your GDPR obligations. Will they protect you in the way you expect? And are they robust enough to keep sensitive data safe? Only by evaluating your controls will you be able to confidently answer these questions.

A Privacy Impact Assessment (PIA) is a useful first step to understand how well your new systems and processes work. Promoted by the Information Commissioner's Office, a PIA will reveal any gaps in your control framework and help you understand whether your expectations about compliance match reality.

It's good practice to carry out a PIA before your new processes take effect. This will allow you to find and plug shortfalls early on, giving you the best chance of avoiding reputational and financial losses if a breach occurs under the new regulatory framework.

### Maintaining momentum

An educated and prepared workforce is a fundamental tenet of continued GDPR compliance. Trained frontline employees will help you recognise threats. This will help you ensure data breaches are reported within the required 72-hour window. Knowledge levels will be at an all-time high around the 25 May 2018 deadline. Maintaining this momentum will be key.

At the same time, it's important to review whether those tasked with spearheading GDPR internally have the right skills and support to effect change. Some organisations have set up working groups to drive GDPR compliance. But poor governance arrangements will stop many from realising this goal.

Similarly, you should also evaluate whether your dedicated Data Protection Officer (DPO) fulfils the ICO's best practice requirements. Many organisations have asked their IT officer to take on the position. But expecting someone to check their own actions is inherently problematic: it can be difficult to spot mistakes and conflicts of interest may arise.

In other cases, a single DPO is asked to act for a group of organisations. This can deliver economies of scale, but it also runs the risk that human errors are repeated. Appointing a deputy DPO is an effective way to mitigate a single-point of failure and ensure continuity if the DPO is absent or leaves the organisation.



Source: RSM benchmark survey. December 2017



Source: RSM and YouGov. March 2018

## Next steps

### Run a Privacy Impact Assessment

This will help you understand whether your new processes, procedures and policies are fit for purpose. It should be completed and reviewed before 25 May 2018.

### Keep building awareness

Mandatory training must be rolled out for all employees, not just those in the IT department. Beyond this, screensavers and posters offer an easy and effective way to remind your workforce about the continual need for data integrity and protection.

### Enhance your working group's governance arrangements

The group must be overseen by senior officers and work to set terms of reference. Without this, it will be impossible to track progress towards GDPR compliance.

### Review your DPO hire

The ICO is clear that DPOs must be able to function with autonomy and should hold relevant qualifications. It's also important that conflicts of interest are formally declared.

### Be clear about your data handling processes

You hold swathes of data about your workers, including their address, date of birth, bank account details and medical records. You must tell your workforce and job candidates about your data handling processes in advance.

### Re-look at your supplier contracts

Your suppliers store and process data about your customers and employees. You must update your contracts to set out their responsibilities under GDPR. New clauses should also make it clear who is accountable.

# Whistleblowing

## What you need to know

Starting on 2 July 1999, the Public Interest Disclosure Act gave legal protection to whistleblowers. It was supplemented in 2013 by the Enterprise and Regulatory Reform Act 2013 and other legislation.

Under the rules, you must protect workers who make qualifying disclosures in the public interest. This includes those who report: criminal offences; a failure to comply with legal obligations; a miscarriage of justice; a health and safety concern; or damage to the environment.

The legislation gives protection to current and former employees, contractors, LLP members, agency workers and those completing a workplace training course.

If you don't comply with the rules, you could face legal action. Special rules apply to the NHS, police and security services.

- Adopt processes to ensure workers do not face victimisation for blowing the whistle.
- Dismissing a whistleblower could lead to claims of unfair dismissal.
- Appoint a whistleblowing champion if you're regulated by the Financial Conduct Authority.



Whistleblowers were once synonymous with those who acted for the social good – the heroes who raised the alarm about approaching danger. At some point, this positive association began to wane. Today, there is an endemic belief that whistleblowers are disloyal workers. And those who raise concerns are not listened to, but punished.

### From troublemaker to changemaker

Imagine you needed to understand how well your organisation was running. Who would you turn to? The board? The executive team? Your line managers? These colleagues can help lift the bonnet on your business, but you'll need to talk to your frontline workers if you are to really understand how the cogs are turning and where friction points are emerging.

Unfortunately, few organisations have the right processes to listen to their employees. Even fewer have the mechanisms in place to allow staff to highlight wrongdoing or negligence without fear of reprimand. When these systems are lacking, a worried worker may feel forced to blow the whistle on your organisation. Their concern can then quickly escalate into a corporate scandal.

Since 1999, the Public Interest Disclosure Act (PIDA) has given legal protection to whistleblowers. Yet 20 years later, big corporations are still entangled in claims that they've punished or ignored workers who've raised concerns. With calls increasing for organisations to act with transparency and honesty, the reputational risk of mistreating those who raise concerns will only escalate.

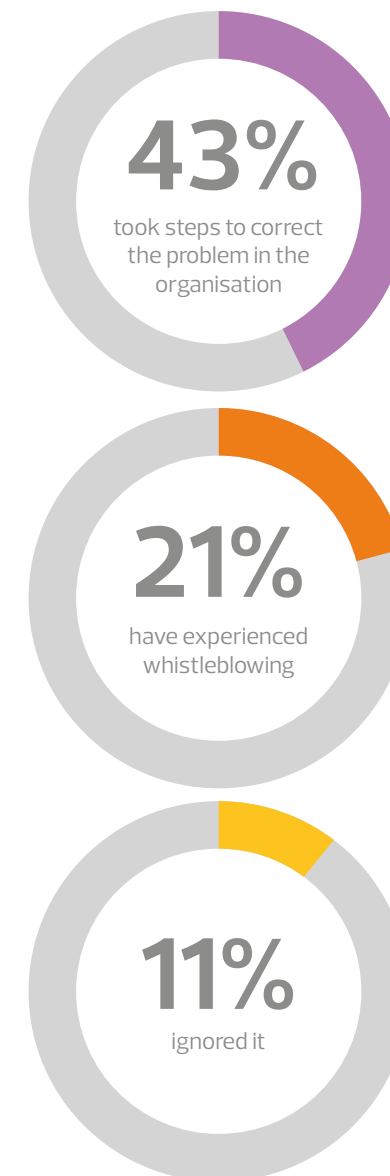
### Listening to your frontline

A worried worker is often the first sign that something has gone wrong at your organisation. Listening to their concerns makes good business sense: it helps you learn about unknown risks and gives you a window of opportunity to tackle them before they inflict further reputational or financial damage.

A whistleblowing programme will empower your employees and help create a transparent, honest and accountable work environment. Embedding an independent helpline and investigations service are useful steps to assure workers that their concerns will be heard and taken seriously. But these mechanisms should not be introduced in isolation.

Ultimately, your whistleblowing programme will only succeed if you also take steps to create a culture that empowers rather than intimidates. The tone you set at the top is critical. Clear statements of intent from the CEO will ensure the right attitudes and values flow throughout your organisation and help staff feel safe in their environment.

This must be reinforced with employee engagement activities as well as regular communication and training. Staff should understand the value of expressing concerns and how to go about this. At the same time, your line managers must know they have a responsibility to handle reports in the right way and support workers who raise them.



Source: RSM and YouGov. June 2017

## Next steps

### Establish a whistleblowing policy

This will support good corporate governance at your organisation and help you meet the legislative requirements around whistleblowing. It should be endorsed by the board and revisited on a regular basis.

### Set up a whistleblowing helpline

This gives employees a route to report their concerns. It also removes bias from follow-up investigations, supports good governance and goes some way to protect your organisation from future litigation.

### Appoint a third-party investigator

An independent investigator gives employees assurance that their concerns will be taken seriously and investigated professionally. At the same time, it helps your organisation to act on facts and make an informed decision about your next steps.

### Appoint a whistleblowing champion

It's good practice to have a dedicated staff member to drive your transparency agenda on the ground. This shows a willingness to deal with staff issues and holds the firm more accountable for any issues raised.

### Roll out organisation-wide training

Everyone at your organisation must understand how they should deal with those who raise concerns. This includes the board, the audit committee, managers, human resources and investigation teams. Training should take place at least once a year.

## Modern slavery

### What you need to know

The Modern Slavery Act 2015 aims to tackle and prevent modern slavery and human trafficking in the UK. It covers the offences of slavery, servitude, forced or compulsory labour and human trafficking.

The rules apply to corporate or partnership bodies that carry out business in the UK and have a global turnover of £36m or more.

If you don't carry out the requirements, the government can apply for an injunction to force compliance. A continued failure to act could mean you're in contempt of a court order, which is punishable by an unlimited fine.

- Produce an annual slavery and human trafficking statement that sets out how you've tackled modern slavery abuses within your business and supply chains.
- Ensure your statement is signed by a company director on behalf of the board.
- Publish your annual statement within six months of the end of each fiscal year.
- Put a link to the statement on your website homepage.

three

The roll out of the Modern Slavery Act was a wake-up call that forced labour and servitude still happens. In a tightening regulatory environment, it's important to re-think your view about what modern slavery looks like. Only by challenging assumptions will you be able to detect and eradicate abuses within your business and supply chain.

### Exposing a hidden crime

It's an uncomfortable truth that slavery still happens in the UK. Until recently, many had thought that the country's record on forced labour and servitude could be consigned to the history books. But since 2014, the government has been lifting the lid on this hidden crime, making clear that slavery is closer than you think.

Defined as the illegal exploitation of people for personal or commercial gain, modern slavery includes the crimes of forced labour, domestic servitude and sexual exploitation. Official figures estimate that 1.2 million people live in modern slavery in Europe. Nearly 12,000 victims are thought to exist in the UK alone.

The landmark Modern Slavery Act 2015 has increased awareness about slavery, servitude and trafficking in the UK's business landscape. While compliance can improve reputations and brands, as well as boost investor confidence, stamping out abuses in your business and supply chains is first and foremost a human rights imperative.

### Rethinking assumptions

Definitions of slavery are constantly evolving as governments around the world continue to fine-tune and strengthen worker protections and human rights. In a tightening regulatory environment, outdated thinking about what forced labour and servitude look like will leave you and your organisation exposed.

At its core, modern slavery covers the exploitation and oppression of workers. It can be relatively clear-cut to spot this in your supply chain. Factory visits and supplier inspections and surveys will give you a robust understanding of domestic and overseas working conditions. It's good practice to enhance these checks if your suppliers operate in high-risk locations on the Global Slavery Index.

When looking at your own business, it's important to remember that modern slavery doesn't just cover extreme cases of abuse. Any illegal mistreatment of employees for commercial gain could lead to prosecution. This includes overlooking basic employment rights, such as the need to provide contracts and written terms and conditions within two months, and correctly apply National Minimum Wage rules.

In a tightening regulatory environment, outdated thinking about what forced labour and servitude look like will leave you and your organisation exposed.

**Carolyn Brown, head of legal services, RSM**

Ultimately, you may find compliance creates an unwelcome distraction, particularly if your organisation doesn't have the systems or resources available to invest in this process. But with the media spotlight shining on human rights abuses around the world, a failure to carry out the right checks could lead to some tough questions from your employees and wider society.

## Next steps

### Carry out a workforce contract audit

Any misapplication of employment law may leave your organisation at risk in terms of modern slavery compliance. This includes a failure to give all employees contracts and written statements of their terms and conditions within two months of their start date. A workforce contract audit will reveal any gaps.

### Complete a payroll audit

You may be confident that your employees receive National Minimum Wage, but nuances over holiday pay or overtime may mean this isn't the case. A payroll audit will help you understand if NMW rules have been correctly applied or if miscalculations have taken place.

### Appoint a modern slavery champion

Out-dated thinking around slavery, forced labour and servitude will make it harder for you to detect abuses within your business and supply chains. A modern slavery champion can help educate your organisation so everyone is equipped to spot and report abuses.

### Vet employment agencies

Human trafficking networks are becoming more sophisticated. Take steps to vet agencies that supply labour to your organisation. If they have common addresses and bank details, it could be a warning sign that they're part of a wider network of forced labour.

### Review relationships

It's critical that your suppliers and subcontractors understand their obligations under the Modern Slavery Act. Formal contracts should set out your expectations. It's also best practice to perform due diligence on new commercial partners and review existing relationships.

# Gender pay gap

## What you need to know

Introduced on 6 April 2017, the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 aim to tackle the imbalance in pay between men and women in the workplace.

If you have 250 or more employees, you must complete a series of mandatory calculations to reveal the gender pay gap at your organisation. Non-compliance risks serious reputational damage.

- Produce an annual snapshot of your gender pay and gender bonus differentials. For public sector organisations, the snapshot date is 31 March. For private sector organisations, it's 5 April.
- Publish a report on the government portal and on your website that shows: the difference between men and women's mean and median pay and bonuses; the proportion of men and women who receive bonuses; and quartile statistics for all employees.
- Publish your gender pay gap results within one year of your snapshot date.
- Make sure the statement is signed off by an appropriate person eg CEO.
- Decide whether you'll include a voluntary narrative alongside your gender pay gap statement. This can be a useful way to explain your figures.

The Gender Pay Gap regulations offer a window into the payment structures of thousands of organisations. It's tempting to see this as a threat, but it makes better commercial sense to view it as an opportunity for change. Grasp the nettle; the issue of gender equality is not going away.

### Closing the gap

When in the 1970s it became illegal to pay men and women different salaries for doing the same job, it was widely thought that a line would be drawn under the issue of gender pay inequality in the workplace. Yet 50 years later, the question of how to build gender diverse and inclusive work cultures is more pertinent than ever.

The recent arrival of the Gender Pay Gap reporting legislation has galvanised the debate around equal opportunities. For the first time, we have indisputable facts about the scale of the gender equality challenge in the UK work environment. The power and influence of this data should not be underestimated.

Over the next 12 months, the reputational repercussions of non-compliance and inaction will only grow. The public, your workforce and prospective employees will have clear expectations that you will not only file your next report on time, but also take decisive action to build a more gender-balanced and inclusive workforce.

### Breaking barriers

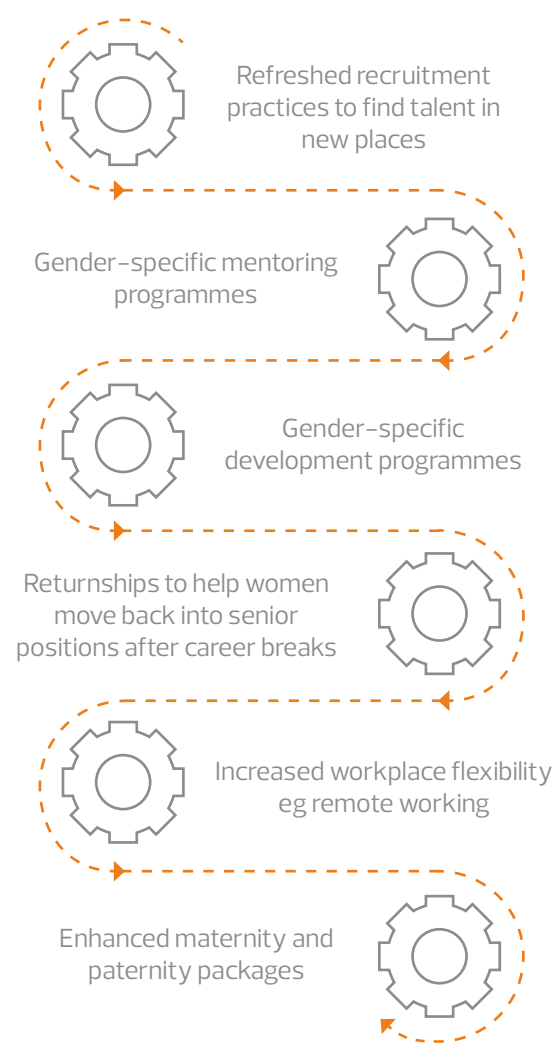
The first step towards tackling your gender pay gap is to understand the complex, multifaceted factors that may have caused it. Remember that a gender pay gap doesn't automatically mean you have an equal pay issue. If you have a well-structured pay system with the right checks and balances, you can be confident that other issues are at play.

The ONS has outlined three potential factors behind the UK's gender pay gap: women are under-represented at senior level; women are more likely to work part-time; and more women work in lower-paid jobs or sectors. This is a useful starting point, but it's important to set aside the time and resource to unpick your unique situation. A deep-dive of your data will help you do this.

For example, if you find your pay gap increases in certain age quartiles, it could signal a succession problem or a lack of support for women returning to work after maternity leave. Likewise, if a single department heavily influences your pay gap, it could point to a management problem. Or, if your workforce is unbalanced and dominated by men or by women, it could reveal that your recruitment processes could do with a refresh.

It's important to remember that cultural and organisational change doesn't happen overnight. You'll need serious commitment and resources to close your gender pay gap. But with research showing a gender diverse and inclusive workforce can lead to better decisions, bigger profits and lower recruitment costs, can you afford not to act?

### Possible remedial actions



## Next steps

### Complete your calculations early

Carrying out six calculations to work out your gender pay gap sounds simple, but we know that many organisations found this challenging in practice. Make sure you start your calculations early enough to avoid a last-minute scramble.

### Review or refresh your payment structures

A gender pay gap doesn't automatically mean you have a pay parity issue. A well-thought-out payroll system will help you rule out an equal pay problem and help you get to the root of your gender pay gap.

### Be clear with your workforce

Gender equality is an emotive subject. A lack of information can quickly breed suspicion and demotivation. Make sure your employees understand what your pay gap does and doesn't show and the steps you're taking to close it.

### Communicate your plan of action

The Gender Pay Gap reporting requirements are much more than a tick-box exercise. Your employees, the public and the media will be paying close attention to the steps you take each year to narrow the gap.

### Track progress

Remember the adage that what gets measured gets done. A project team can help make sure that the promises you make in your gender pay gap statement get delivered on the ground.

# Equality and diversity

## What you need to know

Introduced in 2010, the Equality Act aims to promote a fair and equal society. It includes provisions to protect people from discrimination in the workplace.

Under the legislation, it is unlawful to discriminate because of: age; race, including colour, nationality, ethnic or national origin; disability, religion, belief or lack of religion/belief; sex; sexual orientation; gender reassignment; being pregnant or on maternity leave; or being married or in a civil partnership.

If you're found to have discriminated in the workplace, affected workers could claim for loss of income and injury to feelings. You could also be ordered to introduce equality policies.

Remember that your organisation and individual perpetrators could face claims. This can quickly undermine your reputation and ability to attract and retain talent.

- You must not discriminate against anyone because of a personal characteristic. This includes not hiring someone, selecting a particular person for redundancy or unjustifiably paying someone less than another doing the same role.

Take steps to make sure you're not inadvertently discriminating against someone. This includes making reasonable adjustments to support disabled workers and job applicants.

The positive correlation between diversity and business value is clearer than ever before. Organisations that embed inclusive cultures make better decisions, achieve higher returns and enjoy a more successful recruitment process. Do it well, and you'll quickly leapfrog the competition to become a front-of-mind organisation for a new generation of empowered employees.

### The diversity dividend

The pressure to build a diverse and inclusive workforce has never been greater. We now live in a world where we can choose from dozens of terms to identify our gender; where the #MeToo campaign against sexual harassment became an overnight phenomenon; and where mental health and disability are no longer taboo subjects. The world is changing. Your organisation needs to adapt too.

Today, your workers expect you to embed a diverse and inclusive culture that promotes fresh perspectives and allows everyone to reach their potential. The recent arrival of the Gender Pay Gap requirements was a clear signal that organisations will be held accountable for their record on gender equality. It's likely that these rules could soon cover other aspects of diversity.

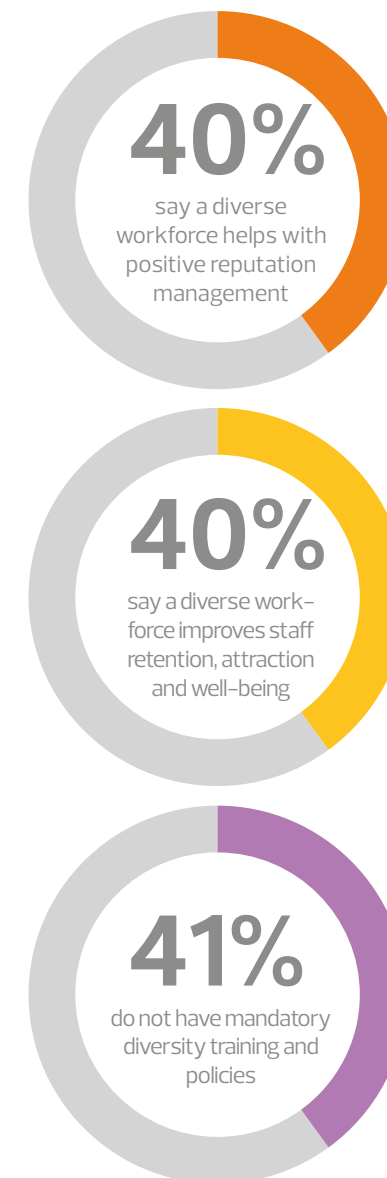
Unfortunately, there is still work to be done. RSM's research with YouGov shows that around seven in ten companies believe their workforce is diverse in terms of gender, ethnicity, social background and education, but this falls to half when it comes to workers with disabilities. This must change. The Equality Act 2010 is clear that everyone should have the same opportunity to thrive in the workplace.

### Driving change

Building an inclusive work culture starts at the top. Clear statements of intent from your CEO alongside strategic action will focus energies and help everyone understand the role they must play to support an equal workforce. You must also ensure your middle managers become diversity advocates – only by equipping and supporting them to deliver the agenda on the ground will you foster positive change across your organisation.

Mandatory diversity and inclusion training for all new and existing leaders and managers is a good place to start. This must go beyond an outline of regulatory requirements. It should also help them to understand the social and business rationale for promoting a culture of inclusivity. It's important to challenge your workers' assumptions about discrimination. Self-awareness is a key ingredient of change; many will be surprised to learn how their actions and decisions could be perceived by others.

Beyond this, it's good practice to enhance your recruitment and HR policies to ensure everyone is given an equal chance to excel. This means embedding transparent pay structures and making sure that more than one person is involved in performance reviews as well as the selection process for new starters. We're already seeing millennial workers choose organisations that have a good record on diversity. This is likely to intensify when Gen Z increasingly enter the workforce. Are you ready?



Source: RSM and YouGov. March 2018.

## Next steps

### Set the right tone at the top

Clear indications of intent should start from your CEO and then flow across your website, intranet and staff handbooks. This will help everyone understand your commitment to building an organisation where discrimination is unacceptable. This should be supported by an equality and diversity policy known to all.

### Join the dots

In an era of accountability, hollow statements about diversity that are not supported by clear action can cause serious reputational damage. Make sure that your commitments to equality and inclusivity match your workers' realities.

### Train your managers

Your managers' attitudes and actions are the key to creating an inclusive workforce. Make sure everyone who leads a team understands how they must help to promote and build a culture that actively promotes equality and diversity.

### Appoint diversity champions

Views on diversity are in constant flux. Diversity champions will help your organisation stay ahead of changing expectations. It will also help your employees understand who they can turn to if they have concerns or suggestions.

### Embed robust pay structures

You should embed a transparent remuneration policy that sets out clear pay bands for all employees. With the arrival of Gender Pay Gap requirements, we know that companies that take this approach can realise clear benefits.



# Payment practices

## What you need to know

In 2017, new rules came into force that aim to improve payment practices. The Reporting on Payment Practices and Performance Regulations 2017 mean that if you're a qualifying UK business you must publish twice-yearly reports on your payment practices and procedures, including the average time it takes to pay your UK suppliers.

You fall within the scope of the requirements if you meet two out of three criteria: 250 or more employees; a balance sheet total of at least £18m; and an annual turnover of £36m or more.

Non-compliance or the supply of false information is a criminal offence, which could lead to a conviction or an unlimited fine for your corporate and your directors.

- Publish twice-yearly reports on your payment practices on the Department of Business, Energy and Industrial Strategy (BEIS) portal.
- Publish your report within 30 days of your financial year end and half financial year end.



How efficient is your accounts payable department? You may not have spent much time thinking about this question, or the answer. But new rules mean your payment processes will be under more scrutiny than ever before. Seize this opportunity to improve or risk losing your suppliers to the competition.

### A new power balance

If you were to follow an invoice through your organisation, you may find it goes on an arduous journey before it's paid. Perhaps it's accidentally shuffled between desks, teams and departments. Or maybe it sits in in-trays waiting for team members to find the time to process it or a director to approve it. End-to-end, it could be several weeks before it's processed.

We know that even the best run organisations with rigorous processes can face these problems. It often only takes one weak link in the chain to cause big delays to your payment procedures, such as an employee holiday or unexpected absence. With your record on paying suppliers now in the spotlight, it's critical you review whether your accounts payable team is empowered to work at maximum efficiency.

Ultimately, the arrival of the Reporting on Payment Practices and Performance Regulations 2017 aim to redress the historic imbalance between payers and payees. Greater transparency means that suppliers can now decide whether to work with your organisation or with another that has a better payment record. For the first time, suppliers have the power of choice.

### Maintaining commerciality

You may think that improvements to your payment practices and terms will dent your balance sheet – particularly if your existing practices allow you to maximise your cash flow and minimise interest payments. Yet it's entirely possible to square the circle between commerciality and your corporate responsibility to pay suppliers on time.

The first step is to make improvements to your accounts receivable department. Here, better policies and improved resourcing can enable you to collect the cash you're owed more effectively and efficiently. This will make it easier to let go of cash earlier, allowing you to reduce your payment terms without putting your cash flow at risk.

At the same time, a more efficient accounts payable team will deliver widespread business benefits. It will help you forge stronger relationships with your suppliers, which may allow you to negotiate preferential deals, such as prompt payment discounts. Streamlined processes can also deliver significant cost savings and help boost employee morale.

It's important to remember that it's not only suppliers who will be keeping a careful watch on your progress. Investors will increasingly want assurance that you're a well-run organisation. In a new era of social responsibility, transparency and accountability, you'll face serious financial and reputational risks if your payment practices are found to be undermining smaller businesses further down your supply chain. Now is the time to act.

It's entirely possible to square the circle between commerciality and your corporate responsibility to pay suppliers on time.

**Richard Smith, head of risk assurance, RSM**

## Next steps

### Review your information systems

The BEIS sets clear guidelines on what you should include in your payment practices report. Brush up on the rules and make sure your information systems will allow you to extract the right information in good time to file your report.

### Set clear lines of responsibility

An efficient accounts payable team relies on everyone understanding their roles and responsibilities. Equally, if your employees don't know where to send invoices, or who approves them, you could suffer significant processing delays.

### Harness the opportunity

It's important to see the payment practices regulations as an impetus for change, not just a tick-box exercise. Your reports will give you a good picture of how well your processes are working and where you need to improve.

### Rethink your approval process

A flexible approval procedure can significantly speed up the time it takes to pay an invoice. Consider introducing a policy that allows invoices to be automatically processed if the details match those on the purchase order.

### Optimise your accounts receivable function

Make sure your accounts receivable function is properly resourced so it's equipped to collect payments on time. This will have a positive impact on your cash flow, making it easier for you to reduce the payment terms for your suppliers.

# Money laundering

## What you need to know

The Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 aim to tackle money laundering in the UK and overseas. While the rules only apply to financial institutions, organisations in all sectors must think carefully about their exposure to money laundering and take preventative action to mitigate the threat.

Financial firms with an annual turnover of £100,000 or more must meet the new requirements. Those that don't comply could be asked to pay a financial penalty; have their authorisation withdrawn; be suspended from certain activities for up to 12 months; or be censured through public statements.

- Deliver a written assessment of money laundering risk and suggest features of effective internal controls.
- Specify beneficial ownership information that trusts must provide for inclusion on a central register.
- Detail when different categories of customer due diligence must be carried out and what steps must be taken.

seven

Globalisation offers big benefits for UK organisations, but it also gives criminals at home and abroad new opportunities to clean their dirty cash. With the government taking decisive action to close in on those who launder money, it's critical you understand the role you need to play to mitigate the threat.

### Globalisation: opportunities and risks

In some ways, there's never been a better time to go global. Advances in technology have smoothed the journey to international markets, bringing overseas expansion within easy reach: the internet has unlocked new pools of customers and suppliers; e-payments can flow thousands of miles within seconds; and new import and export partners are just a click away.

Yet while digital technology has closed the distance between your organisation and overseas markets, it's also made it harder to know who you're doing business with. Overseas criminals have been quick to exploit this paradox. In recent years, UK organisations and their overseas subsidiaries have become key targets for sophisticated money laundering schemes.

According to the National Crime Agency, £90bn is laundered through the UK each year. Cleaning the proceeds of illegal acts, including corruption and organised crime, is a threat to economic progress and reputations. For this reason, organisations across all sectors must stay alert to the threat and take preventative steps to mitigate it.

### Know who you're working with

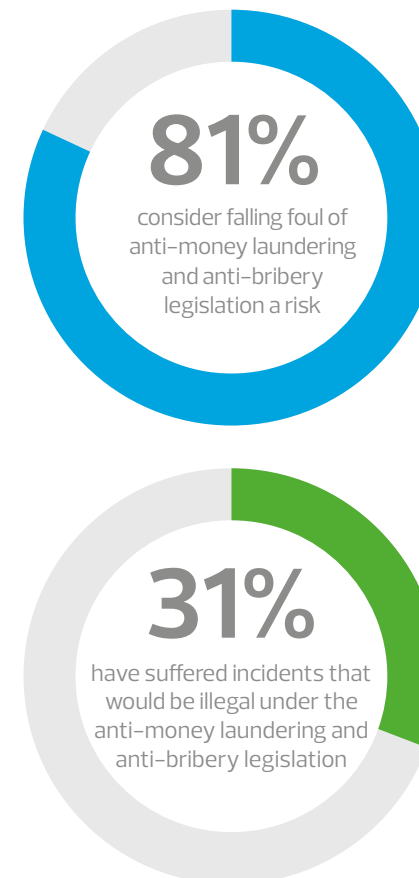
In a globalised business world, you must take steps to understand who you're working with and how they've secured their wealth. It's often said that you must know your customer, but it's just as important to know your strategic partners, supply chain and those running your local operations. This will enable you to reach a confident decision about whether the payments you're receiving

are for legitimate purposes and help to ensure your organisation doesn't become an inadvertent enabler of financial crimes at home or abroad.

Whether or not your organisation is directly involved in the financial sector, it's important to carry out robust due diligence work before you enter any new relationship. This includes an overseas acquisition or joint venture, or the inking of a new major contract. At the same time, it's also good practice to regularly review existing partnerships, particularly if suspicions begin to arise.

A desk-based search of open-source databases is a useful first step. The internet provides a treasure trove of information that can help you discover if your potential partner has previously faced allegations of money laundering or other crimes, such as bribery or corruption. You also need to complete on-the-ground intelligence gathering and engage specialists to carry out public record research. This is particularly important when high-profile deals are at stake.

It's also important to examine your potential business partner's exposure to other forms of corruption, including organised crime, fraud and terrorist activity. This includes checking whether anyone you're working with is classed as politically exposed people (PEPs) and to always look for evidence of wider political patronage issues, such as a symbiotic relationship between their business and the various layers of government in overseas territories.



RSM and YouGov. March 2018

## Next steps

### Adopt an anti-corruption framework

If you're a financial services firm, you should already have responded to the anti-money laundering regulations. If you work in other sectors, it's still good practice to embed prevention procedures.

### Update your contracts

This will send a clear signal that your organisation has a zero-tolerance attitude towards money laundering. New clauses should set out your expectations that employees, suppliers, customers and business partners do not support criminal activity.

### Watch out for red flags

While it can often take years for a sophisticated money laundering operation to come to light, there are several early warning signs that employees should be trained to look out for.

- A new partner insisting that deals are only made in cash or via a middle man.
- A high volume of orders from high-risk areas, at the same time. Look out for similar names.
- A high volume of cancelled orders and payments.

## Tax evasion and bribery

### What you need to know

In July 2011, the Bribery Act made it a criminal offence to give or receive a bribe to secure a business advantage in the UK or abroad. You and your organisation could be charged. If you're found guilty, you could face a criminal conviction, a prison term of up to 10 years or unlimited fines.

You must also take steps to prevent tax evasion. Under the Criminal Finances Act, introduced in September 2017, your organisation could face a criminal conviction and an unlimited fine if it fails to prevent the fraudulent evasion of tax in the UK and overseas.

Under both pieces of legislation, you could also be found guilty if a person associated with your organisation facilitates bribery or tax evasion. This could include people who perform services for, or on behalf of, your organisation, such as employees, agents, subsidiaries and joint venture partners.

- Put in place reasonable prevention procedures to ensure your organisation and those you do business with do not support bribery or tax evasion.
- Your activity should cover the six key principles outlined on page 38.

eight

The government is committed to stamping out tax evasion. Tough new rules mean you don't have to be directly involved in tax evasion or even know it takes place to face the risk of a criminal charge. The actions of your employees, service providers and joint venture partners could put you on the hook if they help others take part in tax fraud.

### Tackling tax evasion

A failure to pay the right amount of tax isn't just a moral or ethical issue. It also undermines the UK's economic productivity and prosperity. Each year, HMRC measures the amount of tax that goes uncollected. The latest figures show that deliberate tax evasion and avoidance led to the loss of £6.9bn in 2015/16 alone. Against this backdrop, public scrutiny of tax avoidance has never been higher.

Last year, the Criminal Finances Act 2017 introduced tough sanctions for deliberate acts of tax evasion. It's important to remember that you could also be found guilty if you're asleep at the wheel. This means that your organisation will face serious consequences if your staff or even your employees, suppliers, agents and joint venture partners are found to be helping people evade paying the right amount of tax, even if you're not aware that it's going on.

The only way to avoid prosecution is to embed reasonable prevention procedures that cover six key principles on page 38. The good news is that you may not need to start from scratch. You should be able to adjust your existing governance, risk and due diligence frameworks for bribery, corruption and money laundering activity. If you can't, you'll need to develop standalone controls.

It's also good practice to update your contractual arrangements with suppliers and contractors. New clauses should make clear you have an expectation that they're not involved in tax evasion activity. It's also important to help your employees understand that they have a responsibility to spot and report activities that amount to tax evasion. Training and education will help drive awareness and support your compliance.

It's easy to underestimate the impact corruption has on your business. A bribe may appear to be a quick way to seal a deal, but you must not overlook the long-term damage it can inflict. As soon as a kickback becomes a consideration, you expose your organisation to a domino effect of serious financial and reputational risks.

### Avoiding bad business

It may feel as though a bribe will open doors for your organisation – particularly if you operate in territories where sweeteners are everyday events. But the temptation to use a cash backhand to avoid red tape or secure a contract must be avoided. Bribery is a serious criminal offence. And it makes bad business sense.

Just the process of negotiating a bribe can create a major distraction and resource drain. As you try to reach a favourable deal, and keep your activities under wraps, you take your eye off core operations and service delivery. As oversight drops, mistakes are made, decisions are delayed and performance takes a knock.

Later, high-profile investigations and enforcement action will quickly tarnish your reputation. This will make it harder to attract and keep employees and instil confidence in your investors and shareholders. A conviction leads to significant legal bills and up to 10 years in prison. It also locks you out of public procurement contracts, which can undermine your performance long after the bribe took place.

With the stakes so high, you must put in place the proper procedures, policies and controls to stamp out white collar crime in your organisation. You also need to make sure that all employees – from the frontline to the senior management team – understand that bribery is never acceptable. Training will help you drive awareness and educate staff on how to spot and report illegal activity.

## Six steps to tackle tax evasion and bribery

To avoid claims under the Bribery Act 2010 and the Criminal Finances Act 2017, your organisation must be able to show that it has put in place reasonable prevention procedures. These must follow six key principles.

**1**

### Assess risks

You must review whether your organisation, or those you work with, are at risk of supporting tax evasion or bribery. This includes assessing which areas of your business are most exposed to the threats. It's also important to look at whether existing procedures and controls will help mitigate these risks or if adjustments are needed. This should be carried out regularly. It must also be documented.

### Embed prevention measures

You must take steps to tackle the threats highlighted in your risk assessment. This involves adapting your governance framework and procedures or developing new ones. Remember that your prevention measures must be proportionate to the seriousness of the risks you find.

**2****3**

### Set the tone at the top

Your board should develop policy statements that show your commitment to tackling tax evasion and bribery. These should be supported by a clear communication strategy that ensures these messages are regularly shared across your organisation.

**4**

### Complete due diligence

Make sure the right checks are carried out on organisations and people you do business with. You must embed a risk-based due diligence system that ensures results are aligned to the level of risk identified through your risk assessment.

### Communicate and educate

You should ensure everyone at your organisation understands your policy statements on tax evasion and bribery. Employees should also receive regular training so they know the role they must play to mitigate the threats.

**5****6**

### Monitor activity

It's important you monitor and test your prevention procedures so you can make sure they're performing as expected. You should also regularly review and update your due diligence checks to ensure they will continue to protect your organisation from developing risks.

<b>GDPR</b> <b>Steve Snaith</b> Partner Steven.snaith@rsmuk.com	<b>Whistleblowing</b> <b>Akhlaq Ahmed</b> Partner Aklaq.ahmed@rsmuk.com
<b>Modern slavery and payment practices</b> <b>Carolyn Brown</b> Partner Carolyn.brown@rsmuk.com	<b>Money laundering</b> <b>Alex Davies</b> Partner Alexander.davies@rsmuk.com
<b>Equality and diversity</b> <b>Kerri Constable</b> Director Kerri.constable@rsmuk.com	<b>Tax evasion</b> <b>Andrew Hinsley</b> Partner Andrew.hinsley@rsmuk.com
<b>Bribery</b> <b>Tim Merritt</b> Partner Tim.merritt@rsmuk.com	<b>Risk assurance</b> <b>Richard Smith</b> Partner Richard.smith@rsmuk.com

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.



# Emergency services sector update

September 2018





# Contents

Introduction	03
The dark art of collaboration assurance	04
Technical update	10
<b>Police</b>	
State of policing: The annual assessment of policing in England and Wales 2017	10
Force management statements	11
Police inspection programme and framework	11
Police forces save £273m on equipment cost	11
Crime outcomes	11
<b>Police and fire</b>	
Enabling police and crime commissioners to sit and vote on combined fire and rescue authorities	12
New hub for emergency services to share information	12
<b>Fire</b>	
Fire and rescue incident statistics	13
Developing fire and rescue service inspections	13
Updated fire and rescue national framework	14
Government announces new standards for fire and rescue services	14
Independent review of building regulations and fire safety	14
Sources of further information	15

# Introduction

Welcome to RSM's latest emergency services sector briefing which provides a useful source of insight into recent developments and publications affecting the sector.

We look at Her Majesty's Chief Inspector of Constabulary (HMCIC), Sir Thomas Winsor's overview of the findings of inspections conducted over the last year, delve into the planned programme of inspections for 2018/19, and consider development of the fire and rescue service inspection framework. We also draw attention to some of the key statistics published across the sector including, data on crime outcomes and fire and rescue incidents. In addition, we shed light on the Home Office's proposal to allow police and crime commissioners to sit and vote on combined fire and rescue authorities, following its consultation exercise.

Along with our summary of key publications, we consider collaboration assurance. We set out our approach to the development of a collaboration assurance framework (CAF), which involves creating an explicit reporting tool known as the collaboration assurance statement (CAS). We also provide an example of how 4questionnaires and 4action modules from RSM's proprietary Governance, Risk, Compliance software, Insight4GRC ([www.insight4GRC.com](http://www.insight4GRC.com)) could be of benefit to your organisation.

We hope you find this update a useful source of insight. As ever, if you have any queries, or have any suggestions for topics for future editions, please contact either myself, or your usual RSM contact and we will be delighted to help.

**Daniel Harris**

National Head of Emergency Services and Local Government





# The dark art of collaboration assurance

In 2001/2002 I became 'magician in chief' and designed, developed and established a local government consortium that included five councils and a private sector partner. We had a common goal: deliver better customer services without increasing our budget.

It was not easy, but we achieved what we set out to do. And we received some accolades along the way. The then ODPM strategic partnering taskforce used our case as an example of best practice. And the exercise paved the way for a lot more discussions amongst the councils involved about what other services might be shared or collaborated on.

Since then, collaboration in its various guises has become a more common feature across the public sector landscape. At the same time, the arrival of alternative delivery vehicles, such as standalone entities or public entity controlled companies with various partners, means collaboration has become increasingly complex.

For audit committee members, this presents new challenges. A key concern among those I regularly talk to is how to oversee collaborations and gain a required level of assurance that risks and resources are being well managed. To place this in context, one organisation identified that approximately one third of its budget would be allocated to financing collaborations. Gaining assurance in this area was therefore both material and important.

In all cases, discussions turned to how internal audit could be used as a third line of assurance or defence. But this wasn't a perfect solution. In many cases, there was often no joined-up approach to obtaining assurances in the first place, with various organisations taking the lead in a collaboration, often with different internal audit providers, all of varying quality and approach.

It was also recognised that internal audit in itself would need to be directed to the areas of greatest risk and/or concern to make best use of their resources. And that the traditional internal audit coverage and reporting cycle may not be as timely as might be required for assurance purposes by one or more of the partners.

More recently the conversation has focused on how to establish collaboration assurance arrangements that will benefit all parties involved ie audit committee members, managers of the collaboration and ultimately the tax payer and customer.

Against this backdrop, picture five audit committee chairs and their respective S151 officers looking to me for that solution. What follows, by way of a case study, is what we at RSM did and what RSM have done since to meet their needs and move forward the collaboration assurance approach. You are quite welcome to steal anything that you feel might be beneficial, or, contact me and I will happily elaborate further. After all, isn't that what collaboration is all about?

## The development of the Collaboration Assurance Framework (CAF)

The five organisations were involved in 15 high-priority collaborations, ranging from back office through to direct customer support and tactical service provision. RSM carried out an initial assessment of the collaboration governance arrangements via a workshop involving all organisation stakeholders. We were then asked to help to design, develop and roll-out a collaboration assurance framework that could be used across all collaborations now and in the future.

The design and development stage involved the creation of an explicit assurance reporting tool – the collaboration assurance statement (CAS). This focused on eight areas of business risk under the management of the collaboration, including:

- 1 progress of the collaboration business / operational plan;
- 2 ownership and execution of process, controls and actions;
- 3 management of business risk;
- 4 integrity of decision making;
- 5 robustness of collaboration governance;
- 6 reliability and relevance of performance information, both financial and non-financial;
- 7 best use of assets including people, IT and physical assets ie buildings and equipment; and
- 8 how collaboration outcomes contribute to the objectives of the sponsoring organisations.

Under each of the above headings we defined a set of explicit controls, or requirements on which the collaboration then had to make an assessment as to their effectiveness. In doing so we required the collaboration management or lead to explicitly identify whether they were relying on first, second or third lines of defence/assurance and what these were.

First line was defined as assurance provided directly from collaboration management itself ie their view, knowledge and understanding drawn from managing the collaboration business on a day-to-day basis and the checks and balances that they apply.

Second line was assurance obtained from other sources within the collaboration or sponsor organisations, this might be some form of overview or additional checks and balances that compliment those of the first line i.e. finance review of budget submissions or scrutiny by any existing forum that was set up to govern the collaboration.

Third line assurance was from those sources independent of the collaboration that may have been provided or commissioned.

This created a point of reference in the form of assurance evidence.

Then, and perhaps most importantly, based on the assurance evidence gathered, we required the collaboration management to provide an assurance judgement for each control or requirement as follows:

- **full** – the collaboration meets the criteria fully and completely and this can be demonstrated / evidenced;
- **partially** – the collaboration partially meets the criteria and / or can only partially demonstrate / evidence this; and
- **none** – unable to confirm that the collaboration meets the criteria and / or is unable to demonstrate / evidence this.



Where the effectiveness assessment highlighted a need for improvement, the collaboration was required to identify the action that would be taken to strengthen the control or meet the requirement, by who and when. The CAS completion also required the collaboration management to take a view as to the likelihood of their effectiveness judgement changing in the next three to six months, why this might occur and the likely impact on the collaboration, considering both negative and positive events or circumstances. In their reporting, the collaboration management were not just considering the current state but looking ahead and anticipating control risk via the potential future state.

The challenges involved just getting to this stage cannot be underestimated. In this case there were lengthy debates over the focus of the CAS and I am sure this could be / will be refined further by any organisation that adopts this or a similar approach (I'll be interested to hear).

We now faced the deployment challenges. For example, do we deploy to all collaborations and if so how do we deploy – all at once, using a pilot Collaboration or in phases? After all,

despite the collaboration conversations being had at sponsor level, these conversations did not necessarily involve all the collaborations themselves. RSM therefore suggested that a CAS pilot, with one collaboration, should be undertaken allowing us to safely road test the approach developed and fine-tune this as required. We picked a collaboration that had been in existence for a while and that was relatively stable based on what was known. Work commenced with an engagement meeting involving the entire collaboration management team. This was important as we wanted the collaboration management to feel that this was something shared collectively so that we might obtain a more reliable outcome. We explained the background, what we were aiming to achieve and what we expected of them. We agreed that the collaboration would complete the CAS within a two-week window and send their conclusions back to us for initial review before arranging what we described as a "check and challenge" session ie to scrutinise and substantiate further the CAS responses provided and judgements reached. The downside was that at the time we deployed the CAS via Microsoft Office (of which more later).

### CAS Pilot Learning

So, what were the key learning points from the CAS pilot?

- how useful the collaboration management team felt the exercise was, especially as they did set aside time to work through the CAS together. They told us that it made them reflect on what they had in place and what could be improved upon. They particularly enjoyed the face-to-face "challenge" session that RSM facilitated with regard to their management of risk and controls.
- The improvement action plan was something they recognised and felt they would take forward as part of their sponsor discussions. All the S151 Officers felt that it provided a level of accountability that had not previously existed.
- The CAS coverage was considered appropriate – it conveyed to the collaboration what was being required from an assurance perspective, it uncovered areas of weakness, as well as provided visibility and a consistent approach, which had been agreed by all participants in the CAS process. We knew that it could be deployed across all collaborations. The Audit Committee Chairs and S151 Officers would get the assurance visibility they were looking for.
- There was a desire to undertake completion of the CAS at least annually with an in-year follow up / update, including the six-month forward look, to anticipate changes that might impact on the collaboration.
- We needed to automate the CAS completion. The Microsoft Office approach had become administratively burdensome, especially if we were repeating this across 15 collaborations, as well as extracting key matters for the attention of the S151 and audit committee, let alone ensuring that actions planned and approved could be progressed. And all this on top of ensuring proper version control. But we already had a solution in mind in the form of RSM's Insight4GRC platform ([www.insight4grc.com](http://www.insight4grc.com)).

### So where are we now?

We haven't changed the CAS significantly – we know the approach works, and we have subsequently rolled this out across other collaborations. But we have automated the approach making use of the RSM Insight4GRC platform ([www.insight4grc.com](http://www.insight4grc.com)).

For those of you that are not familiar with Insight4GRC, this is an RSM proprietary software package, accessed via a web-browser, to help organisations better manage their governance, risk and compliance (or control) environment. More than 250 organisations already benefit from using one, some or all of the suite, including PLCs and not for profit, amongst them many local councils and police forces. In the case of the CAS automation we made use of the 4questionnaires and 4action modules from the Insight4GRC suite. The two modules when combined provide for powerful data gathering, assessment, reporting and monitoring but most of all it represents a sustainable and efficient mechanism for on-going CAS access, up-dating and completion by each of the Collaborations. Each collaboration has access to their own GRC performance reporting dashboard coupled with a central view for sponsors enabling them to drill down and interrogate further the underlying controls and assurance evidence that each collaboration has provided.

### 4questionnaire

We have built the CAS in 4questionnaires.

4questionnaires is a flexible and intelligent system that facilitates the gathering of data and analysis to provide insightful management information.

The advantages of using 4questionnaires included:

- flexible configuration of questionnaires allowing for the customisation and setup of questionnaires, (in this case the CAS), efficiently and effectively;
- ability to analyse and interpret answers and create impact assessments and action plans stemming from the CAS;
- controlled and targeted distribution and allocation of the CAS to individuals and the ability to track questionnaire completion by collaborations; and
- ability to upload documentary evidence with the CAS responses, as well as providing a full audit trail of entries made.

### 4action

The improvement plans that emerged as a result of the CAS completion were uploaded and tracked via 4action.

4action has extensive reporting facilities and the ability to set target dates for the individuals responsible for actions, it helps ensure administrators have a complete picture of the status of all agreed tasks and recommendations.

The use of 4action brought clear benefits to the future CAS use through the increased focus on the implementation of agreed actions. These benefits include:

- greater likelihood that the collaboration objectives will be achieved;
- greater likelihood of implementing improvement actions stemming from the CAS completion or recommendations stemming from reviews by internal audit etc. at the collaboration;
- better management of actions across the collaboration and the encouragement of accountability;
- up to date management information on key actions and individual as well as collaboration performance;
- large efficiency savings in action and recommendation monitoring; and
- ease of reporting for a wide range of different collaboration audiences with different information needs.



And of course, there is no reliance on RSM (or any other third party) to facilitate the CAS process. Once the automated approach via Insight4GRC is established and the system administration determined it can be managed and run by the organisations involved, whether sponsors, collaborations, or both.

#### What have we learned?

- We know that collaborative working will continue to grow, will involve wider agencies and become more complex.
- We understand, based on our experiences of working with local councils, police and fire, that gaining appropriate and timely collaboration assurance remains a challenge. We suspect that many collaboration assurance arrangements are still inconsistent, ineffective or inefficient.
- We know that our CAS approach works and, when coupled with the Insight4GRC software, provides for a robust proposition that organisations looking to strengthen or make more efficient their existing collaboration assurance can take advantage of.

#### Your collaboration assurance considerations

So finally, some questions that you may need to consider after reading the above:

- 1 What is your approach to collaboration assurance?
- 2 How reliable is your collaboration assurance approach?
- 3 How does your collaboration assurance approach make use of first, second and third lines of assurance?
- 4 How have you formalised the assurance approach to make it a visible and recognisable collaboration assurance framework?
- 5 How does the audit committee feel about the level of assurance it gets in connection with collaborations?
- 6 How are you making use of technology to efficiently obtain, make visible and measure your collaboration or wider assurances?
- 7 How can you improve your collaboration assurance?

If you would like to know more about collaboration assurance, the CAS and/or the Insight4GRC suite ([www.insight4grc.com](http://www.insight4grc.com)) then please contact Matt Humphrey on [matthew.humphrey@rsmuk.com](mailto:matthew.humphrey@rsmuk.com) or 07711 960 728







# Technical Update

## Police

### State of Policing: The Annual Assessment of Policing in England and Wales 2017

Sir Thomas Winsor, Her Majesty's Chief Inspector of Constabulary (HMCIC), has published his 'annual assessment of policing in England and Wales 2017.' The report provides an overview of the findings of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' (HMICFRS') inspections conducted over the last year, including its police effectiveness, efficiency and legitimacy (PEEL) inspections, youth offending services inspections and child protection inspections.

Overall, the PEEL inspections outcomes were relatively positive. Effectiveness inspections saw nine forces graded higher than in the previous year while five forces had deteriorated, receiving a lower grade than they had previously. Inspections on efficiency and legitimacy showed that grades remained the same for 32 forces while four had improved their grade and six had a worse grade than in last year's inspections.

#### Questions for committee's consideration

- Are you receiving assurance that your force has reviewed its results, analysed its position and is taking the appropriate and timely actions?
- Does the force fully understand the link between demand and capability and do its workforce plans reflect this?
- Are you sighted on the digital transformation agenda?
- Does the force have effective arrangements in place to monitor and report on benefits realisation from the digital transformation agenda?

In the State of Policing report, HMICFRS has recommended that forces take action on workforce skills which involves forces needing to better understand the link between demand and capability. It has also been recommended that forces take action on digital transformation to improve

police efficiency. Yet overall, inspections have shown there have been improvements to the police services effectiveness and efficiency. Forces have generally made progress on the recommendations set out by HMICFRS which HMCIC has described as 'encouraging', although it is understandable that some changes to come into effect may take some time. In relation to the inspections carried out on child protection, on the whole it was seen that police staff are evidently committed to 'improving the protection of vulnerable children.' Forces had shown to have made good progress in achieving better outcomes for children who were at risk of harm.

The report also provides an overview of the changes HMICFRS will implement when undertaking its PEEL inspections for 2018/19 and beyond. PEEL inspections will see a more 'integrated approach' leading to an improved assessment of forces, due to the information provided in the force management statement (discussed overleaf). HMICFRS will use the information submitted to get a better understanding of how 'well prepared forces are to meet future demands.' Moving forward, HMICFRS is developing an online publicly available register which will allow it to track the progress forces are making with the recommendations given by the inspectorate. HMICFRS have also outlined changes being made to the 'national child protection inspections' which are necessary to address 'new and emerging risks to children.'

Within its State of Policing report, HMICFRS has provided a collation of the 420 reports that have been published between 24 March 2017 and 31 March 2018.

#### Questions for committee's consideration

- How do you track the HMICFRS actions internally and how does assurance around the implementation filter through to the Audit Committee?
- How does the HMICFRS assurance link in with other assurance providers across the Force – with internal audit / external audit etc in order to ensure assurance is maximised and duplication is minimised?

### Force management statements

HMICFRS expects to receive an annual force management statement (FMS) prepared by chief constables. The statement consists of the chief constable's explanation of the demand their force is facing over the following four years, and those ways in which the force will change and improve its workforce and other assets to deal with that demand. It also sets out how the force will make progress on its efficiency to ensure the 'gap between future demand and future capability is as small as it can be' and 'the money the force expects to do all this.'

Developing the force management statement is a three-year process; the first force management statements submitted in May 2018 were part of a pilot year approach. All forces are expected to have reliable information on their current and future demand, assets and resources, and provide the 'best available information in their force management statements' each year. The information will inform HMICFRS's inspections of forces' efficiency and effectiveness, shape the inspectorates approach for 2019, and help to identify those areas presenting the greatest risk from force activity. This will in turn inform HMICFRS on what future inspections are needed and how intensive they will need to be.

#### Questions for committee's consideration

- Have Audit Committee members been briefed on the purpose and content of the first FMS?
- Have you considered how this statement could be used in the future by the Committee and how this links to your terms of reference and remit?

### Police inspection programme and framework

HMICFRS has published its police inspection programme for 2018/19. HMICFRS will conduct a range of inspections which include:

- PEEL assessments, which the inspectorate will complete in a more 'integrated' way and will use force management statements as a source of evidence;
- national thematic inspections focusing on fraud, hate crime, older people in the justice system, child protection, counter-terrorism, cyber-crime, and crime data;
- national agencies and non-Home Office force inspections including inspections on the British Transport Police, Ministry of Defence Police and Her Majesty's Revenue and Customs; and
- joint inspections, whereby HMICFRS will work collaboratively with Ofsted and the Care Quality Commission to inspect ways in which local authorities, police and health services work together.

### Police forces save £273m on equipment cost

Police forces have saved £237m in three years on equipment costs such as police helmets and vehicles resulting in more money to be spent on local priorities. The majority of savings from this year's statistics arise from the Collaborative Law Enforcement Programme (CLEP), identifying opportunities for collaboration. Dave Thompson, Chief Constable, stated that 'we have already delivered substantial procurement savings and have identified another £100 million of savings over the next three years. While there are considerable challenges to overcome in more complex areas of procurement, we continue to work hard to find further efficiencies and provide the best possible service to the public.' Whilst Nick Hurd, Minister for Police and Fire, has congratulated the service on its 'impressive progress... numbers show that the work is not complete.'

#### Questions for committee's consideration

- Do you receive timely assurance that the force has explored ways of making procurement efficiencies, including collaborative procurement?

### Crime outcomes

The Home Office has published data for police recorded crime outcomes in England and Wales for the year to December 2017. The data shows 'what outcomes police forces assigned to offences recorded', 'all crime outcomes that were assigned by police forces' and 'crimes recorded in the year that were later transferred to another police force or cancelled.'

Key statistics for the year to December 2017 include:



forces had assigned 47 per cent of offences as 'investigation complete – no suspect identified';



18.4 per cent of offences as 'evidential difficulties (victim does not support action)';



9.1 per cent of offences as charged or summonsed;



2.6 per cent of offences as 'out of court (informal)'; and



3 per cent (150,386) of the 4,955,752 offences initially recorded were transferred or cancelled.

# Police and fire

## Enabling police and crime commissioners to sit and vote on combined fire and rescue authorities

The Home Office has published a response to its consultation on 'enabling police and crime commissioners [PCCs] to sit and vote on combined fire and rescue authorities [FRAs]' in effect, utilising the representation model. There were a total of 67 responses, 22 of which were from representatives of FRAs. 91 per cent (20) of FRAs agreed with the 'proposed amendments to the combination schemes of Combined FRAs established or continued in existence under sections 2 and 4 of the 2004 Fire and Rescue Services Act.' 9 per cent (2) FRAs had objected to the proposed amendments.

Themes emerging from the consultation from FRAs seeking further information or those objecting to the proposed amendments included:

- political balance and membership numbers – it was noted that 'adding the PCC as a member could have an impact on political balance where there is more than one constituent authority';
- membership allowance – some respondents underlined that they were 'under pressure to reduce FRA membership' as a means to demonstrate savings and were as a result, 'reluctant to increase the number of members to accommodate the PCC'; and
- 'extending the right to a PCC to appoint a deputy PCC to attend FRA meetings where the PCC is unable to' – there was some concerns from FRAs that the deputy police and crime commissioner (DPCC) may influence decisions despite them not having a right to vote.

Moving forward, the government will proceed by drafting a 'negative statutory instrument' to amend the combination scheme of those FRAs who support the proposed amendments. They will also launch an inquiry to understand the views of those FRAs who had opposed the proposed amendments.

## New hub for emergency services to share information

Organisations across the emergency services sector, including the Royal Society for Public Health, Public Health England, and the National Fire Chiefs Council, have collectively developed a new emergency services hub providing a range of resources to ambulance, fire and rescue and police services. The new hub aims to share public health best practice and improve information and cooperation through resources such as blog posts, guidance materials and case studies.





# Fire

## Fire and rescue incident statistics

The Home Office has published 'fire and rescue incident statistics' in England for the year ending December 2017. Key statistics include:

- fire and rescue services (FRSs) attended 563,527 incidents compared to 560,874 in the previous year. This was a 34 per cent decrease compared to 2006/07 where FRSs attended 854,371 incidents;
- of all incidents attended, 30 per cent were fire incidents (39 per cent in 2006/07), 30 per cent were non-fire incidents (19 per cent in 2006/07) and 40 per cent (41 per cent in 2006/07) were fire false alarms, which remained to be the largest incident type;
- FRSs attended 169,588 fires, an increase of 4 per cent (162,427) from last year. This represents a 50 per cent decrease from 2006/07 where FRSs attended 336,233 fires. Of the 169,588 fires attended, 74,667 were primary fires, 91,040 were secondary fires and 3,881 were chimney fires;
- FRSs attended 223,383 fire false alarms, a 37 per cent decline compared to a decade ago (352,136);
- FRSs attended 170,556 non-fire incidents. Generally, there has been a decline in the number of non-fire incidents, however, in the last couple of years this has been rising due to an increase in the number of medical incidents attended by FRSs. In the year ending December 2017, 36,799 of the 170,556 non-fire incidents attended by FRSs were medical incident related; and
- there was in total 321 fire related fatalities, a rise of 15 per cent compared to last year (225). 71 of the 321 fatalities were from the Grenfell Tower fire tragedy.

## Questions for committee's consideration

- Are you satisfied that your statistics are in line with national trends, and if not, do you have mechanisms to ensure the outlying areas are investigated and action taken?

## Developing fire and rescue service inspections

HMICFRS has published a report on developing FRS inspections. It explains how HMICFRS has adapted its approach to take account of learning and feedback from services including what was learnt from the three pilot inspections between March and May 2018. The inspectorate outlines those areas where it tested and improved its approaches, including: taking its 'police inspection technique of reviewing case files and evolving it into process reviews' helping the inspectorate to gain a deeper understanding of how FRSs undertake 'prevention/protection activity'; ensuring the chief fire officer is interviewed prior to the conclusion of fieldwork; and testing varying approaches designed to further involve trained staff, given the vitally important role they play.

The report also includes what HMICFRS has learned from the public and sector consultations that were ran on the 'inspection programme and framework, methodology and judgement criteria.'



### Questions for committee's consideration

- Have you considered how your service will use the inspections as a source of assurance and ensure any potential duplication of assurance is minimised?
- Has the impact on resources within the service been considered and planned for?

HMICFRS received 65 responses to its draft inspection programme and framework consultation, which ran between December 2017 and February 2018. Overall, respondents were generally happy with the inspectorate's approach, yet highlighted areas where further information could be provided. There were several themes emerging, including: funding; the impact of inspections; and consideration of the wider context in which FRSs are operating, including collaborations. Following feedback, HMICFRS had made a number of minor amendments to the documents.

HMICFRS received 27 responses on its judgment criteria consultation, which ran between April and May 2018. Several key themes emerged, including: the judgement criteria was 'ambiguous and open to interpretation'; graded criteria should show examples that reflect service practices; and how the criteria aligns with the new national framework document. Respondents were generally supportive of the criteria, however, HMICFRS has made some small changes to address the issues raised.

The report also sets out what FRSs can expect from HMICFRS inspections.

### Updated Fire and Rescue National Framework

The Home Office has published an updated Fire and Rescue National Framework for England following a consultation on proposed changes between December 2017 and February 2018. The changes in the new Framework include:

- new guidance on ways in which fire and rescue authorities (FRAs) should work with the National Fire Chiefs Council (NFCC) and HMICFRS;
- legislative changes which enable PCCs and mayors to take on responsibility for their local FRS (where a case is made); and
- a section on how FRAs can develop the skills of their people.

Nick Hurd, Minister for Policing and the Fire Service, stated 'the national framework provides the basis for how fire and rescue services in England should operate. The revised version... should support them becoming more accountable, effective and professional than ever before and embed the government's reform programme.' The Framework came into effect on 1 June 2018.

### Government announces new standards for fire and rescue services

In the aim to improving FRS professional standards Nick Hurd has announced a new Fire Standards Board approach, which will be established to ensure 'standards are nationally coordinated to a high level across the sector.'

The National Fire Chiefs Council (NFCC), Local Government Association and other partners have collaboratively developed the proposal which will be independent from the government. It will be for the Board to establish its workplan but preliminary issues the Board could consider include:

- development and leadership workforce issues;
- identifying and mitigating risks; and
- preventing fire but also ensuring public protection from other emergencies.

It will also be for the Board to agree priorities in response to the Hackitt review, the Grenfell Tower inquiry, and other issues facing fire and rescue services that comes to light.

### Independent Review of Building Regulations and Fire Safety

Dame Judith Hackitt has published her final report on the 'Independent Review of Building Regulations and Fire Safety.' The report sets out the 'principles for a new regulatory framework' which is intended to produce a 'simple and effective mechanism for driving building safety', 'provide stronger oversight of duty holders with incentives for the right behaviours, and effective sanctions for poor performance' and 'reassert the role of residents.'

Following the interim report, some progress has been made on the recommendations set out, including a consultation on 'restricting or banning the use of desktop studies as a way of assessing the fire performance of external cladding systems.'

The final report makes recommendations relating to 'the key parameters of a new regulatory framework', which involves a new Joint Competent Authority consisting of Local Authority Building Standards, FRAs and the Health and Safety Executive to oversee better management of safety risks in multi-occupancy higher risk residential buildings. The approach will allow these bodies to work collaboratively to more 'rigorously assess' the safety of buildings and produce a more 'unified and consistent intervention process.' There are also recommendations regarding clearer roles and responsibilities throughout the design and construction process and during occupation, ways in which residents can express their thoughts and producing a more 'robust and transparent construction products regime.'

### Questions for committee's consideration

- Do you have assurance that the service is liaising with the relevant parties, ensuring a joined-up approach and formalising relationships to make sure roles and responsibilities are clearly understood?

# Sources of further information

## HMICFRS

### **'State of Policing – The Annual Assessment of Policing in England and Wales 2017'**

<https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/state-of-policing-2017-2.pdf>

## HMICFRS

### **'Force management statements'**

<https://www.justiceinspectorates.gov.uk/hmicfrs/about-us/what-we-do/integrated-peel-assessments/force-management-statements/>

## HMICFRS

### **'Police inspection programme and framework'**

<https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/hmicfrs-inspection-programme-2018-19.pdf>

## Home Office

### **'Police forces save £273 million in three years on equipment cost'**

<https://www.gov.uk/government/news/police-forces-save-273-million-in-three-years-on-equipment-cost>

## Home Office

### **'Crime outcomes in England and Wales, year to December 2017: data tables'**

<https://www.gov.uk/government/statistics/crime-outcomes-in-england-and-wales-year-to-december-2017-data-tables>

## Home Office

### **'Fire and rescue incident statistics: England, year ending December 2017'**

<https://www.gov.uk/government/statistics/fire-and-rescue-incident-statistics-england-year-ending-december-2017>

## HMICFRS

### **'Developing the fire and rescue service inspections'**

<https://www.justiceinspectorates.gov.uk/hmicfrs/publications/developing-fire-rescue-service-inspections/>

## Home Office

### **'Updated Fire and Rescue National Framework for England'**

<https://www.gov.uk/government/news/updated-fire-and-rescue-national-framework-for-england>

## Home Office

### **'Government announces new standards for fire and rescue services'**

<https://www.gov.uk/government/news/government-announces-new-standards-for-fire-and-rescue-services>

## MHCLG

### **'Independent Review of Building Regulations and Fire Safety'**

<https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-final-report>

## Home Office

### **'Enabling police and crime commissioners to sit and vote on combined fire and rescue authorities'**

<https://www.gov.uk/government/consultations/enabling-police-and-crime-commissioners-to-sit-and-vote-on-combined-fire-and-rescue-authorities>

## National Fire Chiefs Council

### **'New hub now up and running for emergency services to share information'**

<https://www.nationalfirechiefs.org.uk/News/new-hub-now-up-and-running-for-emergency-services-to-share-information-/201322>



# For more information please contact

**Daniel Harris**

National Head of Emergency Services and Local Government

M +44 (0)7792 948 767

daniel.harris@rsmuk.com

**Matthew Humphrey**

Partner, Risk advisory

M +44 (0)7711 960 728

matthew.humphrey@rsmuk.com

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Employer Services Limited, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.