

# \delivering good \governance

in Local Government  
Guidance Note for Police Authorities  
2012 Edition



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# Acknowledgements

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# Preface

This revised guidance note relates to *Delivering Good Governance: Framework* published in 2007 and subsequent Addendum published in 2012 which are intended to be used as best practice for developing and maintaining a locally adopted code of governance.

This guidance note is intended to assist the policing sector in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

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# Introduction

## Delivering Good Governance in Local Government: Framework

The Framework *Delivering Good Governance in Local Government*, published by CIPFA in association with SOLACE in 2007 sets the standard for governance in local government in the UK. CIPFA and SOLACE reviewed the Framework in 2012 to ensure it remains 'fit for purpose' and will be issuing an Addendum to it in autumn 2012 which provides an updated example annual governance statement. The Framework urges local government bodies to review and report on the effectiveness of their governance arrangements. They are encouraged to meet the governance standards of the best.

The concept underpinning the Framework is helping local government bodies in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist them individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for communities.

The Framework draws on earlier work on governance in the public services which is briefly outlined at Appendix A to this guidance note.

## Purpose of the guidance note

The Framework is a high level document, describing the generic principles which any local government body should follow, irrespective of the role it performs and the statutory basis on which the service was established.

There are, however, variations between geographical areas and within specific service sectors which affect the governance arrangements in those areas or sectors; not in terms of the principles set out in the Framework, but in terms of how those principles are applied.

The unique characteristics of the police service were recognised in 2007 when it was decided that the Framework would be supplemented by a guidance note for police authorities and forces in England and Wales (*Delivering Good Governance in Local Government: Interim Guidance Note for Police Authorities and Forces in England and Wales*). This was positioned alongside the equivalent guidance note for English local authorities. It covered similar ground, in the sense that it described how the Good Governance Framework could be translated into processes, activities and controls at the implementation level, but it offered this guidance in the context of the structures and relationships existing within the police service.

## The 2012 review

The Guidance Note for Police would have been updated as part of the periodic review of the CIPFA/SOLACE Framework which took place during 2012 and has resulted in the development of an Addendum to the Framework to be issued in autumn 2012 and the publication of an updated generic guidance note for local authorities in England. At the same time, however, the delivery of policing in England and Wales is being completely restructured during 2012 under the Policing and Social Responsibility Act 2011. More details about the changes, and the way in which they impact on governance is set out in the next chapter. In this new environment, the 2007 interim guidance is no longer relevant, and the main purpose of this revised guidance note is to interpret the principles set out in the Framework in terms of the new statutory context for policing.

# Developments since the launch of the framework

## A new structure for governance in policing

The structure of policing in England and Wales is set out in the 2011 Policing and Social Responsibility Act. Under the terms of the legislation, the existing 43 police authorities in London and the City, England and Wales, are being replaced by police commissioners, each of whom will be elected every four years by the local community.

Police and crime commissioners are primarily responsible for most of the statutory responsibilities of the former police authorities. Policing in England and Wales has for many years been characterised in terms of a “tripartite structure”, the three partners being the Home Secretary, the police authority, and the Chief Constable. Three important changes to the landscape resulting from the 2011 Act are:

- abolition of the police authority and the transfer of most of its functions to the elected Police and Crime Commissioner (PCC)
- establishment of both the PCC and the Chief Constable (CC) as corporations sole
- creation of an additional body – the police and crime panel (PCP) – whose core role is to hold the PCC to account.

These changes restated some of the most fundamental relationships within the service.

The reconfiguration of roles, and the ministerial intention to create a clearer distinction between the PCC and the Chief Constable, also redefined the allocation of day to day responsibilities in areas such as finance. Local codes of governance will capture and codify those new relationships.

A comprehensive list of the changes introduced by the 2011 Act, and their implications for local governance, is outlined below.

- The statutory powers and duties are concentrated in a single elected individual rather than a police authority of 17 members including nine councillors and eight independents.
- The traditional arrangements for local governance, operating through an authority and subordinate committees and boards, will disappear.
- The PCC may appoint a deputy or deputies, who may take on specific responsibilities.
- The PCC is required to appoint a chief executive and a chief financial officer; these posts cannot be combined (see section on the role of the chief financial officer below).
- The creation of the PCP recognises the concentration of power and the need to ensure that the links into local authorities are not weakened. The standard model for a PCP is 10 Councillors (nominated by reference to political and geographical balance) and two co-opted members. The duty of the PCP is to act as a check and balance on the PCC. As such it is entitled to hold the PCC to account by requesting reports and attendance at public PCP sessions. In addition, however, there are specific checks including the requirement for the PCP to confirm the appointment of the Chief Constable, to approve the precept, and to confirm the police and crime plan and PCC annual report.
- Both the PCC and force are subject to the Accounts and Audit (England) Regulations 2011 in England and the Accounts and Audit (Wales) Regulations 2005 in Wales and as such both have to prepare a set of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and are subject to audit. Group accounts must be completed by the PCC for the PCC and the Chief Constable. The CC must complete individual accounts. Both are required to produce an annual governance statement. The Government’s long term intention is that Chief Constables will eventually employ staff, and hold the budgets and funding for delivery of operational policing.



- In recognition of those changes, the Chief Constable's chief financial officer has become a statutory 'Section 151' officer in his or her own right, in addition to the PCC's treasurer. The relationships will be codified in local protocols.
- A financial management code of practice<sup>1</sup> was issued by Home Office in January 2012, setting out the relationships between the various parties.
- The PCC and the Chief Constable will be jointly responsible for internal audit, and for establishing an audit committee.
- One of the aims of the new arrangement is that PCCs deliver their plans through commissioning services from a wider market than was traditionally the case. It is envisaged that PCCs will enter into partnerships, or client/contract arrangements, not only with the force but a wide range of other public services, the voluntary sector, and the private sector. As the person with individual responsibility, the PCC will participate directly in these discussions.
- One of the most fundamental developments resulting from the 2012 reforms is the new status of the Chief Constable. Prior to the changes, the force would be an integral part of the police authority's governance framework and would contribute to the review process. From 2012, the Chief Constable has responsibilities for governance within the force in his or her own right. This means that there will be two freestanding processes within the service for ensuring good governance. In most respects the principles and the implementation will be the same for the PCC and the Chief Constable. There are however, areas specific to each corporation sole which will need to be reflected.

The Policing Protocol Order 2011 (statutory instrument) came into force on 16 January 2012 and extends to England and Wales. The Protocol sets out how the new policing governance arrangements will work. It clarifies the role and responsibilities of police and crime commissioners, the mayor's office for policing and crime, Chief Constables, police and crime panels and the London assembly police and crime panel. It outlines what these bodies are expected to do and how they should work together to fight crime and improve policing. The protocol can be found at: [www.homeoffice.gov.uk/publications/police/pcc/policing-protocol](http://www.homeoffice.gov.uk/publications/police/pcc/policing-protocol)

## The role of the chief financial officer

The Home Office 'Financial Management Code of Practice for the Police Service of England and Wales' (FMCP) received statutory endorsement in January 2012. This outlines CFO responsibilities and emphasises the importance of effective co-operative and constructive relationships between the CFOs of the PCC and the Chief Constable.

In October 2012, CIPFA issued its statement on the role of the CFO of the PCC and the CFO of the CC which sets out how the requirements of legislation and professional standards should be fulfilled by the CFO in carrying out his/her role. The Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. The governance requirements should be reflected in the organisation's local code.

*The Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and of the Chief Constable* can be found at [www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Police-Panel](http://www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Police-Panel)

## The role of the head of internal audit

In 2010, CIPFA issued a statement on *The Role of the Head of Internal Audit in Public Service Organisations*. The statement supports CIPFA's work to strengthen governance, risk management and internal audit across the public services. Its purpose is to clarify the role of the head of internal audit in public services and to raise its profile. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them. These requirements should be reflected in an organisation's local code of governance.

*The Statement on the Role of the Head of Internal Audit in Public Service Organisations* (2010) can be found at [www.cipfa.org/Policy-and-Guidance/Reports](http://www.cipfa.org/Policy-and-Guidance/Reports).

<sup>1</sup> [www.official-documents.gov.uk/document/other/9780108511332/9780108511332.pdf](http://www.official-documents.gov.uk/document/other/9780108511332/9780108511332.pdf)

# The principles of good governance in the police service

## Introduction

Robust governance operates at several different levels.

The **CIPFA/SOLACE Good Governance: Framework** establishes the principles, and is the standard against which all local government bodies, including police, should assess themselves. As such, it shapes the formal annual governance review processes and forms an integral part of each body's annual statement of accounts.

The purpose of area or service specific **guidance notes** is to express the principles set out in the Framework in the context of the particular area or service. They are essentially an extension of the Framework, but at the same time capable of existing as free-standing advice.

The Framework and guidance notes will in normal circumstances be expected to remain intact and unchanged until the next formal review. Where fundamental changes such as police reform take place, however, it triggers a review of both documents.

There are other **more detailed levels of advice** on governance arrangements, which are tailored to the specific characteristics of each service. In Policing, these extend down into the processes, protocols, and working arrangements. This advice is reshaped by Police Reform.

The Association of Police Authority Chief Executives (APACE) took on the role of constructing the detailed advice on how the principles set out in the CIPFA/SOLACE Framework and guidance note translate into working level processes and products. It is in the form of a suite of documents which leaders and managers within the service can refer to and use as the basis of local procedures. By its very nature this working level advice will tend to evolve as the service itself evolves and takes on new or redefined responsibilities. New or expanded guidance and exemplifications will be issued accordingly. Recent documents include:

- Interim Scheme of Governance – Statement of Principles (APACE, ACPO, Home Office, CIPFA)  
This guidance explains the legalities and practicalities of the new arrangements.
- Scheme of Corporate Governance (APACE)  
This guidance looks at day to day processes.

The publication of guidance on governance products by APACE, in conjunction with the Association of Police and Crime Commissioners, enables the CIPFA/SOLACE Framework and guidance to focus on the principles.

## The principles of good governance: implementing the Framework and Guidance Note

Every public body operates through a framework of governance. Irrespective of the executive arrangements which are in place, good governance should ensure that the way a public body operates is based on sound decision making, with an effective process to support it.

In a Policing context, good governance is about how those responsible for the service ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which all local government bodies are directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities. These principles apply to the Police and Crime Commissioner and the Chief Constable in just the same way as they applied to the police authority prior to the 2012 reforms.

The aim of this guidance note is to assist those responsible for policing:

- to consider how they might go about reviewing their governance arrangements
- developing governance arrangements for new structures including partnerships
- to develop and update their own local codes of governance
- to demonstrate compliance with the principles of good governance.

Using the Framework, PCCs and Chief Constables should nominate an individual or a group of individuals who have appropriate knowledge and expertise and levels of seniority to:

- consider the extent to which the organisations comply with the principles and elements of good governance set out in the Framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals or mechanisms responsible for monitoring and reviewing the systems, processes and documentation
- identify any governance issues that have not been addressed and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions that are required.

# Risks and tensions

## Introduction

Introduction of Police and Crime Commissioners (PCCs) puts responsibility for a major public service in the hands of a single individual. Within the policy constraints set by Parliament and ministers, and recognising the operational independence of the Chief Constable, the PCC has both the latitude and the discretion to set the direction for local policing strategies without reference to a governing body. PCC's actions are overseen and scrutinised within precisely defined parameters by the PCP, and in some general terms by reference back to the community every four years.

The introduction of the police and crime panel (PCP) adds a new dimension. Police authorities were made up of a majority of local councillor members, and it was the convention that police authorities normally consulted local councils on key issues such as the precept and the policing plan. The 2011 legislation formalises this through the mechanism of the PCP. However the role of the PCP is not to replicate that of the police authority. Its terms of references are drawn quite narrowly, and outside the areas for which it has been given specific statutory responsibilities it would be wrong to interpret its role too widely in terms of power to intervene or shape policies.

The Ministerial intent behind the 2011 legislation is that Chief Constables should take on a greater level of responsibility for finance and staff. In response to this, the Chief Constable's chief financial officer holds equivalent statutory financial responsibilities to the PCC's chief financial officer. This arrangement is unique within the local government sector. The national protocol issued by Home Office, supported by the Home Office Financial Management Code of Practice, will be supplemented in many areas by local protocols between the PCC and the force setting out the terms of engagement, spheres of operation, sharing of information, and the exercise of joint responsibilities.

The Government's objective in replacing police authorities with elected PCCs is to strengthen the link between communities and the body which sets local Policing strategy and priorities. At the same time, the Government is seeking to enhance the level of scrutiny and challenge, and the processes of holding the force to account on behalf of the community. The changes to the statutory mechanisms were designed with this in mind. It is nevertheless a unique, new, and in some respects complex, structure, within which there are risks and tensions which could jeopardise the objectives if not managed properly. Application of the generic principles set out in the CIPFA/SOLACE Framework, supported by this guidance note, and further supported by the working processes and products developed by APACE/APCC, will help limit tensions, and manage any which do arise.

## Examples of risks and tensions

At this stage it is only possible to predict potential tensions. Real world evidence will emerge as the new arrangement beds in. Set out below are examples of where actions, omissions, conflicts or lack of alignment might put pressure on the governance structure and jeopardise the effectiveness of service delivery:

- the PCC and Chief Constable fail to establish trust or an effective working relationship. This could include the PCC attempting to interfere in operational policing matters, or making commitments which the force is unable to deliver.
- the PCC is dissatisfied with responses from the force. This could be the promptness of dealing with requests, or a view that inadequate information has been supplied in response to the request.

- the PCC is dissatisfied with the information he or she is given on day to day force activities or in response to significant incidents within the community.
- the PCC wishes to proceed with a strategy for which he or she does not have the necessary powers to act, or the financial resources to achieve implementation.
- the PCC relies closely on the deputy PCC, leaving the chief executive or treasurer distanced and unable to offer appropriate advice.
- the PCC adopts a strategy of giving the PCP as little information and assistance as possible.
- ...and/or distances the office of the PCC from the local councils.
- the local councils seek to treat the PCC as 'one of them', and to use the existing local machinery to steer policing strategies
- the PCC aligns closely with the Chief Constable, in order to restrict the role of the PCP.
- the PCP adopts a very aggressive and challenging approach to the PCC, and seeks to establish a relationship between the PCP and the Chief Constable.
- the PCC treasurer and the force finance director do not exchange information openly in line with the Financial Management Code and local protocols.
- the relationship between the PCC's in house chief officers and outsourced support organisations does not develop on a co-operative basis.

Examples of best practice in dealing with situations such as those listed above, and new ones which emerge, will become available as the new arrangements build up a momentum. Future versions of the guidance notes will reflect this accordingly.

# Developing a local code of governance: schedule to assist in putting the principles of good governance into practice

The illustrative tables which follow show how the six principles of good governance might be reflected in a local code, and examples of systems, processes and documentation that may be used to demonstrate compliance.

The 2012 reforms create both the PCC and the Chief Constable as separate corporations sole. This in turn means that they will assume distinct responsibilities for internal governance. Under the CIPFA/SOLACE Framework, both the PCC and the Chief Constable should draw up a code of governance, and follow recognised best practice in managing and reviewing its operation. The codes are likely to be very similar and the PCC and CC may choose to draw up a joint code to show how governance will work across the organisations.

PCCs and Chief Constables will need to assure themselves not only that the frameworks are in place, but also how far the processes and documentation meet the suggested criteria; otherwise the exercise could become a box-ticking process rather than a qualitative exercise.

Most local codes of governance are written on behalf of an authority or a similar body made up of many individuals or sub-units who in different ways support the leadership of the organisation. Even where there are elected Mayors in place, the code of governance tend to identify with the organisation as a whole rather than the individual. There is a much more substantial concentration of powers and responsibilities in a PCC, and the local code of governance must reflect that. While the content of the PCC's code will in most respects align with the codes of other organisations, the overarching message which is imparted will be expressed in more personal terms.

The schedules which follow show how the guidance applies to both the PCC and the Chief Constable, showing the areas of commonality. This has required some minor amendments to the terminology used in the six Core Principles.

## CORE PRINCIPLE 1:

Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>develop and promote the PCC's purpose and vision</li> </ul>	<ul style="list-style-type: none"> <li>The PCC sets the vision and priorities for policing for the area which will be reflected in:               <ul style="list-style-type: none"> <li>shaping the community strategy</li> <li>local area or performance agreements</li> <li>community engagement and involvement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Chief Constable is responsible for delivering policing in an area in line with the PCC's priorities, these will be reflected in:               <ul style="list-style-type: none"> <li>shaping the community strategy</li> <li>local area or performance agreements</li> <li>community engagement and involvement</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>review on a regular basis the PCC's vision for the local area and its impact on governance arrangements</li> </ul>	<ul style="list-style-type: none"> <li>PCC/Joint Governance code</li> </ul>	<ul style="list-style-type: none"> <li>CC/Joint Governance code</li> </ul>
<ul style="list-style-type: none"> <li>ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties</li> </ul>	<ul style="list-style-type: none"> <li>PCC/Joint Partnership protocol</li> <li>PCC/Joint Governance code</li> </ul>	<ul style="list-style-type: none"> <li>CC/Joint Partnership protocol</li> <li>CC/Joint Governance code</li> </ul>
<ul style="list-style-type: none"> <li>publish an annual report on a timely basis to communicate the PCC's activities and achievements, the financial position and performance</li> </ul>	<ul style="list-style-type: none"> <li>Annual financial statements and Group Accounts</li> <li>Police and crime plan</li> </ul>	<ul style="list-style-type: none"> <li>Annual financial statement</li> <li>Annual performance data</li> </ul>
<ul style="list-style-type: none"> <li>decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</li> </ul>	<ul style="list-style-type: none"> <li>this information is reflected in the PCC's:               <ul style="list-style-type: none"> <li>Police and crime plan</li> <li>medium term financial strategy</li> <li>resourcing plan in order to ensure improvement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>this information is reflected in the CC's:               <ul style="list-style-type: none"> <li>medium term financial strategy</li> <li>resourcing plan in order to ensure improvement</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>put in place effective arrangements to identify and deal with failure in service delivery</li> </ul>	<ul style="list-style-type: none"> <li>complaints procedure</li> <li>evidence that complaints have informed positive service improvement</li> </ul>	<ul style="list-style-type: none"> <li>complaints procedure</li> <li>evidence that complaints have informed positive service improvement</li> </ul>
<ul style="list-style-type: none"> <li>decide how value for money is to be measured and make sure that the PCC/CC or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions</li> </ul>	<ul style="list-style-type: none"> <li>the results are reflected in performance plans and in reviewing the work of the commissioner and his/her office</li> </ul>	<ul style="list-style-type: none"> <li>the results are reflected in performance plans and in reviewing the work of the force</li> </ul>

## CORE PRINCIPLE 2:

Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles

The local code should reflect the requirements to:	Source documents/good practice/other means that maybe used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ set out a clear statement of the roles and responsibilities of the PCC, and the deputy PCC(s) where appointed, and the PCC's approach towards putting this into practice</li> </ul>	<ul style="list-style-type: none"> <li>■ Constitution</li> <li>■ record of decisions and supporting materials</li> </ul>	
<ul style="list-style-type: none"> <li>■ set out a clear statement of the respective roles and responsibilities of the senior officers and staff of the office of the PCC and the Force</li> </ul>	<ul style="list-style-type: none"> <li>■ Organisation charts</li> <li>■ Job descriptions</li> <li>■ Constitution</li> </ul>	<ul style="list-style-type: none"> <li>■ Organisation Charts</li> <li>■ Job Descriptions</li> <li>■ Constitution</li> </ul>
<ul style="list-style-type: none"> <li>■ determine a scheme of delegation and consent, including a formal schedule of those matters specifically reserved for decision by the PCC and those delegated to the Chief Constable, taking account of relevant legislation, and ensure that it is monitored and updated when required</li> </ul>	<ul style="list-style-type: none"> <li>■ Constitution</li> <li>■ Standing orders/financial regulations which are reviewed on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>■ Constitution</li> <li>■ Standing orders/financial regulations which are reviewed on a regular basis</li> </ul>
<ul style="list-style-type: none"> <li>■ make a Chief Executive or equivalent responsible and accountable to the PCC for all aspects of operational management of the PCC</li> </ul>	<ul style="list-style-type: none"> <li>■ Conditions of employment</li> <li>■ Scheme of delegation</li> <li>■ Statutory provisions</li> <li>■ Job descriptions/specification</li> <li>■ Performance management system</li> </ul>	
<ul style="list-style-type: none"> <li>■ develop protocols to ensure that the PCC, deputy PCC(s) where appointed, PCC Chief Executive and Chief Constable negotiate their respective roles early in the relationship and that a shared understanding of the roles and objectives is maintained</li> </ul>	<ul style="list-style-type: none"> <li>■ Conditions of employment</li> <li>■ Scheme of delegation</li> <li>■ Statutory provisions</li> <li>■ Job descriptions/specification</li> <li>■ Performance management system</li> </ul>	<ul style="list-style-type: none"> <li>■ Conditions of employment</li> <li>■ Scheme of delegation</li> <li>■ Statutory provisions</li> <li>■ Job descriptions/specification</li> <li>■ Performance management system</li> </ul>



The local code should reflect the requirements to:	Source documents/good practice/other means that maybe used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ make a senior officer (usually the Section 151 officer ) responsible to the PCC for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</li> </ul>	<ul style="list-style-type: none"> <li>■ Section 151 responsibilities</li> <li>■ Statutory provision</li> <li>■ Statutory reports</li> <li>■ budget documentation</li> <li>■ job description/specification</li> <li>■ compliance with <i>The Role of the CFO of the Police and Crime Commissioner and the CFO of the Chief Constable</i> and reporting on it accordingly in the annual governance statement</li> <li>■ compliance with <i>The Role of the HIA in Public Service Organisations</i> and reporting on it accordingly</li> </ul>	<ul style="list-style-type: none"> <li>■ Section 151 responsibilities</li> <li>■ Statutory provision</li> <li>■ Statutory reports</li> <li>■ budget documentation</li> <li>■ job description/specification</li> <li>■ compliance with <i>The Role of the CFO of the Police and Crime Commissioner and the CFO of the Chief Constable</i> and reporting on it accordingly in the annual governance statement</li> <li>■ compliance with <i>The Role of the HIA in Public Service Organisations</i> and reporting on it accordingly</li> </ul>
<ul style="list-style-type: none"> <li>■ make a senior officer (usually the monitoring officer) responsible to the PCC for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with</li> </ul>	<ul style="list-style-type: none"> <li>■ monitoring officer provisions</li> <li>■ Statutory provision</li> <li>■ job description/specification</li> </ul>	
<ul style="list-style-type: none"> <li>■ develop protocols to ensure effective communication between the PCC, deputy PCC(s) where appointed Chief Constable and officers in their respective roles</li> </ul>	<ul style="list-style-type: none"> <li>■ PCC/officer protocol</li> <li>■ PCC/Chief Constable Protocol</li> </ul>	<ul style="list-style-type: none"> <li>■ PCC/Chief Constable Protocol</li> </ul>
<ul style="list-style-type: none"> <li>■ set out the terms and conditions for remuneration of the PCC, deputy PCC(s), Chief Constable and officers and an effective structure for managing the process including an effective remuneration panel (if applicable)</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay and conditions policies and practices</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay and conditions policies and practices</li> </ul>
<ul style="list-style-type: none"> <li>■ ensure that effective mechanisms exist to monitor service delivery</li> </ul>	<ul style="list-style-type: none"> <li>■ Performance management system</li> </ul>	<ul style="list-style-type: none"> <li>■ Performance management system</li> </ul>
<ul style="list-style-type: none"> <li>■ Ensure that the PCC's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</li> </ul>	<ul style="list-style-type: none"> <li>■ vision</li> <li>■ strategy</li> <li>■ budgets</li> <li>■ performance plan/regime</li> </ul>	<ul style="list-style-type: none"> <li>■ vision</li> <li>■ strategy</li> <li>■ budgets</li> <li>■ performance plan/regime</li> </ul>

The local code should reflect the requirements to:	Source documents/good practice/other means that maybe used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ when working in partnership ensure that the PCC and deputy PCC(s) are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the PCC</li> </ul>	<ul style="list-style-type: none"> <li>■ Protocols for partnership working. For each partnership there is: <ul style="list-style-type: none"> <li>– a clear statement of the partnership principles and objectives</li> <li>– clarity of each partner's role within the partnership</li> <li>– definition of roles of partnership board members</li> <li>– line management responsibilities for staff who support the partnership</li> <li>– a statement of funding sources for joint projects and clear accountability for proper financial administration</li> <li>– a protocol for dispute resolution within the partnership</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>■ when working in partnership: <ul style="list-style-type: none"> <li>– ensure that there is clarity about the legal status of the partnership</li> <li>– ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Protocols for partnership working. For each partnership there is: <ul style="list-style-type: none"> <li>– a clear statement of the partnership principles and objectives</li> <li>– clarity of each partner's role within the partnership</li> <li>– definition of roles of partnership board members</li> <li>– line management responsibilities for staff who support the partnership</li> <li>– a statement of funding sources for joint projects and clear accountability for proper financial administration</li> <li>– a protocol for dispute resolution within the partnership</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Protocols for partnership working. For each partnership there is: <ul style="list-style-type: none"> <li>– a clear statement of the partnership principles and objectives</li> <li>– clarity of each partner's role within the partnership</li> <li>– definition of roles of partnership board members</li> <li>– line management responsibilities for staff who support the partnership</li> <li>– a statement of funding sources for joint projects and clear accountability for proper financial administration</li> <li>– a protocol for dispute resolution within the partnership</li> </ul> </li> </ul>

## CORE PRINCIPLE 3:

Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ ensure that the PCC's and Chief Constable's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> </ul>		
<ul style="list-style-type: none"> <li>■ ensure that standards of conduct and personal behaviour expected of those holding public office and their staff are defined and communicated through codes of conduct and protocols</li> </ul>	<ul style="list-style-type: none"> <li>■ members/officers code of conduct</li> <li>■ performance management system</li> <li>■ performance appraisal</li> <li>■ complaints procedures</li> <li>■ anti-fraud and corruption policy</li> <li>■ member/officer protocols</li> </ul>	<ul style="list-style-type: none"> <li>■ performance appraisal</li> <li>■ complaints procedures</li> <li>■ anti-fraud and corruption policy</li> </ul>
<ul style="list-style-type: none"> <li>■ put in place arrangements to ensure that the PCC, Deputy PCC(s), and officers of the PCC and CC are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>	<ul style="list-style-type: none"> <li>■ standing orders</li> <li>■ codes of conduct</li> <li>■ financial regulations</li> <li>■ register of interests</li> </ul>	<ul style="list-style-type: none"> <li>■ standing orders</li> <li>■ codes of conduct</li> <li>■ financial regulations</li> <li>■ register of interests</li> </ul>
<ul style="list-style-type: none"> <li>■ develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations, and communicate these between the PCC/CC, staff, the community and partners</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> <li>■ whistle blowing arrangements</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> <li>■ whistle blowing arrangements</li> </ul>
<ul style="list-style-type: none"> <li>■ put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> </ul>
<ul style="list-style-type: none"> <li>■ develop and maintain an effective standards monitoring process</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> </ul>

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Office of the PCC</li> </ul>	<ul style="list-style-type: none"> <li>■ terms of reference</li> <li>■ regular reporting to the PCC</li> <li>■ decision making practices</li> </ul>	
<ul style="list-style-type: none"> <li>■ in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively</li> </ul>	<ul style="list-style-type: none"> <li>■ protocols for partnership working</li> </ul>	<ul style="list-style-type: none"> <li>■ protocols for partnership working</li> </ul>

## CORE PRINCIPLE 4:

### Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ develop and maintain an effective review and scrutiny function which encourages constructive challenge and enhances the PCC's performance overall and of any organisation for which it is responsible</li> </ul>	<ul style="list-style-type: none"> <li>■ scrutiny is supported by robust evidence and data analysis</li> <li>■ an effective internal audit function which is resourced and maintained</li> </ul>	<ul style="list-style-type: none"> <li>■ an effective internal audit function which is resourced and maintained</li> </ul>
<ul style="list-style-type: none"> <li>■ develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> </ul>	<ul style="list-style-type: none"> <li>■ decision making protocols record of decisions and supporting materials</li> </ul>	<ul style="list-style-type: none"> <li>■ decision making protocols record of decisions and supporting materials</li> </ul>
<ul style="list-style-type: none"> <li>■ put in place arrangements to safeguard the PCC, deputy PCC(s), CC and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> </ul>	<ul style="list-style-type: none"> <li>■ codes of conduct</li> </ul>

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>in conjunction with the Chief Constable develop and maintain an effective Audit Committee (or equivalent)</li> </ul>	<ul style="list-style-type: none"> <li>terms of reference</li> <li>membership</li> <li>training for audit committee members</li> </ul>	<ul style="list-style-type: none"> <li>terms of reference</li> <li>membership</li> <li>training for audit committee members</li> </ul>
<ul style="list-style-type: none"> <li>ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</li> </ul>	<ul style="list-style-type: none"> <li>terms of reference</li> <li>membership</li> <li>training for audit committee members</li> <li>complaints procedure</li> <li>evidence of improvement as a result of a complaint received and acted upon</li> </ul>	<ul style="list-style-type: none"> <li>complaints procedure</li> <li>evidence of improvement as a result of a complaint received and acted upon</li> </ul>
<ul style="list-style-type: none"> <li>ensure that those making decisions whether for the PCC/CC or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</li> </ul>	<ul style="list-style-type: none"> <li>induction schemes</li> <li>agreement on information that will be provided and timescales</li> </ul>	<ul style="list-style-type: none"> <li>induction schemes</li> <li>agreement on information that will be provided and timescales</li> </ul>
<ul style="list-style-type: none"> <li>ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</li> </ul>	<ul style="list-style-type: none"> <li>record of decision making and supporting materials</li> </ul>	<ul style="list-style-type: none"> <li>record of decision making and supporting materials</li> </ul>
<ul style="list-style-type: none"> <li>ensure that risk management is embedded into the culture, with all parties recognising that risk management is part of their job</li> </ul>	<ul style="list-style-type: none"> <li>risk management protocol</li> <li>financial standards and regulations</li> </ul>	<ul style="list-style-type: none"> <li>risk management protocol</li> <li>financial standards and regulations</li> </ul>
<ul style="list-style-type: none"> <li>ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the PCC have access</li> </ul>	<ul style="list-style-type: none"> <li>whistle blowing policy</li> </ul>	<ul style="list-style-type: none"> <li>whistle blowing policy</li> </ul>
<ul style="list-style-type: none"> <li>actively recognise the limits of lawful activity, for example the ultra vires doctrine, but also strive to utilise powers to the full benefit of the community</li> </ul>	<ul style="list-style-type: none"> <li>constitution</li> <li>monitoring officer provisions</li> <li>statutory provisions</li> </ul>	<ul style="list-style-type: none"> <li>constitution</li> <li>monitoring officer provisions</li> <li>statutory provisions</li> </ul>

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the PCC/CC by public law</li> </ul>	<ul style="list-style-type: none"> <li>■ record of legal advice provided by officers</li> </ul>	<ul style="list-style-type: none"> <li>■ record of legal advice provided by officers</li> </ul>
<ul style="list-style-type: none"> <li>■ observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into the PCC/CC's procedures and decision making processes</li> </ul>	<ul style="list-style-type: none"> <li>■ monitoring officer provisions</li> <li>■ job description/specification</li> <li>■ statutory provisions</li> </ul>	<ul style="list-style-type: none"> <li>■ job description/specification</li> <li>■ statutory provisions</li> </ul>

## CORE PRINCIPLE 5:

### Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ provide induction programmes tailored to individual needs and opportunities for the PCC, deputy PCC(s) CC and officers to update their knowledge on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>■ training and development plan</li> <li>■ induction programme</li> <li>■ update courses/information</li> </ul>	<ul style="list-style-type: none"> <li>■ training and development plan</li> <li>■ induction programme</li> <li>■ update courses/information</li> </ul>
<ul style="list-style-type: none"> <li>■ ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood</li> </ul>	<ul style="list-style-type: none"> <li>■ job description/personal specifications membership of top management team</li> </ul>	<ul style="list-style-type: none"> <li>■ job description/personal specifications membership of top management team</li> </ul>
<ul style="list-style-type: none"> <li>■ assess the skills required by the PCC, deputy PCC(s) CC and officers and make a commitment to develop those skills to enable roles to be carried out effectively</li> </ul>	<ul style="list-style-type: none"> <li>■ training development plan</li> </ul>	<ul style="list-style-type: none"> <li>■ training development plan</li> </ul>

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</li> </ul>	<ul style="list-style-type: none"> <li>■ training and development plan reflect requirements of a modern councillor including:               <ul style="list-style-type: none"> <li>– the ability to scrutinise and challenge</li> <li>– the ability to recognise when outside advice is required</li> <li>– advice on how to act as an ambassador for the community</li> <li>– leadership and influencing skills</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>■ ensure that effective arrangements are in place for reviewing the performance of the PCC, deputy PCC(s), CC and the organisation as a whole, and agreeing an action plan which might for example aim to address any training or development needs</li> </ul>	<ul style="list-style-type: none"> <li>■ performance management system</li> </ul>	<ul style="list-style-type: none"> <li>■ performance management system</li> </ul>
<ul style="list-style-type: none"> <li>■ ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the PCC</li> </ul>	<ul style="list-style-type: none"> <li>■ strategic partnership framework</li> <li>■ stakeholders forums' terms of reference</li> <li>■ area forums' roles and responsibilities</li> <li>■ residents panel structure</li> </ul>	
<ul style="list-style-type: none"> <li>■ ensure that career structures are in place for officers to encourage participation and development</li> </ul>	<ul style="list-style-type: none"> <li>■ succession planning</li> </ul>	<ul style="list-style-type: none"> <li>■ succession planning</li> </ul>

## CORE PRINCIPLE 6:

## Engaging with local people and other stakeholders to ensure robust public accountability

The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ define who the PCC is accountable to, and for what</li> </ul>	<ul style="list-style-type: none"> <li>■ community strategy</li> </ul>	
<ul style="list-style-type: none"> <li>■ consider those institutional stakeholders to whom the PCC is accountable and assess the effectiveness of the relationships and any changes required</li> </ul>	<ul style="list-style-type: none"> <li>■ community strategy</li> </ul>	
<ul style="list-style-type: none"> <li>■ produce an annual report on the activities of the PCC in relation to monitoring its own performance and that of the Chief Constable and force</li> </ul>	<ul style="list-style-type: none"> <li>■ annual report</li> </ul>	
<ul style="list-style-type: none"> <li>■ ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively</li> </ul>	<ul style="list-style-type: none"> <li>■ community strategy</li> <li>■ processes for dealing with competing demands within the community</li> </ul>	
<ul style="list-style-type: none"> <li>■ ensure arrangements are in place to enable the PCC to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</li> </ul>	<ul style="list-style-type: none"> <li>■ community strategy</li> <li>■ processes for dealing with competing demands within the community</li> </ul>	
<ul style="list-style-type: none"> <li>■ establish a clear policy on the types of issues that the PCC will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result</li> </ul>	<ul style="list-style-type: none"> <li>■ partnership framework</li> <li>■ communication strategy</li> </ul>	



The code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance:	
	PCC	Chief Constable
<ul style="list-style-type: none"> <li>■ on an annual basis, publish a performance plan giving information on the PCC's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</li> </ul>	<ul style="list-style-type: none"> <li>■ annual report</li> <li>■ annual financial statements</li> <li>■ annual business plan</li> </ul>	
<ul style="list-style-type: none"> <li>■ ensure that the PCC and the office of the PCC as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</li> </ul>	<ul style="list-style-type: none"> <li>■ constitution</li> <li>■ Freedom of Information publication scheme</li> </ul>	
<ul style="list-style-type: none"> <li>■ develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</li> </ul>	<ul style="list-style-type: none"> <li>■ constitution</li> </ul>	<ul style="list-style-type: none"> <li>■ constitution</li> </ul>

# The review process

Using the Framework and Guidance Notes, PCCs and chief constables should regularly test the structure by carrying out a thorough and wide ranging self-assessment. The text which follows sets out a series of questions and challenges which PCCs and chief constables might address when reviewing their level of compliance with the six core principles.

## CORE PRINCIPLE 1

**Good governance means focusing on the purpose of the PCC and the force, and on outcomes for the community, and creating a vision for the local area**

- Is the vision clear to all sections of the community and partners?
- Does the decision making process take account of the vision?
- Are intended outcomes being achieved?
- How well is the vision communicated to the community and partners?
- To what extent does information about the quality of service for users help to make rigorous decisions about improving quality?
- Is regular and comprehensive information compiled on users' views of quality?
- How could this information be improved?
- How well does the organisation understand the views of the public and service users?
- Is comprehensive and reliable information about these views received and is it used in decision making?

## CORE PRINCIPLE 2

**Good governance means leaders and officers, and partners working together to achieve a common purpose with clearly defined functions and roles**

- Is there clarity amongst all the parties about the vision and the objectives?
- Is the decision making process fully codified?
- Are the delegations and consents fully codified?
- Are the governance arrangements understood by all the partners?

## CORE PRINCIPLE 3

**Good governance means promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- In what ways does the office of the PCC's (OPCC) behaviour, collectively as a governing body and individually, demonstrate that responsibilities to the organisation and its stakeholders are taken seriously?
- Are there any ways in which behaviour might weaken the PCCs aims and values?
- What are the values that staff of the OPCC are expected to demonstrate in their behaviour and actions?
- How well are these values reflected in the approach to decision making?
- What more should be done to ensure these values guide the actions of the OPCC?

## CORE PRINCIPLE 4

**Good governance means taking informed, transparent decisions which are subject to effective scrutiny and managing risk**

- Is the machinery of governance effective?
- What could be done to make it more productive and effective?
- Is the quality of information received across service areas consistent including partnerships?
- To what extent does the information on costs and performance help make rigorous decisions about improving value for money?
- How effectively is this information used in planning and taking decisions? How well does it compare with that of similar organisations?
- Is this set out in a clear and up-to-date statement?
- How effective is this as a guide to action for the PCC and the OPCC?
- How well are the reasons for decisions explained to all those who might be affected by them?
- Are decision making processes properly adhered to?
- Is the information received by the PCC and OPCC robust and objective and appropriate for their needs?
- How could the information received be improved to help improve decision making?
- Is professional advice taken to inform and support decision making when it is sensible and appropriate to do so?
- How effective is the organisation's risk management system?
- How is the effectiveness of the system reviewed?
- Are action plans developed to correct any deficiencies in the systems?
- If so, are these published each year?
- Does the police and crime panel offer effective scrutiny? Is the outcome of constructive scrutiny taken into account?

## CORE PRINCIPLE 5

**Good governance means developing the capacity and capability of both the PCC, Officers of the PCC and the force to be effective**

- What skills must be available in order to do the job effectively?
- How effective are the arrangements for developing skills and updating knowledge?
- Are action plans prepared for improving performance?
- What processes exist to ensure officers have the necessary skills to do their jobs? Are officers adequately resourced?

## CORE PRINCIPLE 6

**Good governance means engaging with local people and other stakeholders to ensure robust public accountability**

- Who is the PCC accountable to, and for what?
- How well does each of these accountability relationships work?
- Is action needed to clarify or strengthen any relationships?
- Is any shift in the balance between different accountability relationships required?
- How do the arrangements deal with competing demands and priorities from different sections of the community? Are the processes effective?
- What is the policy on how the PCC should consult the public and service users?
- Does it explain clearly the sorts of issues on which it will consult which groups and how it will use the information it receives?
- Does the policy need to be reviewed, or its implementation?
- How effective are systems within the organisation for protecting the rights of staff?
- Who are the institutional stakeholders that the OPCC needs to have good relationships with?
- How is the OPCC organised to take the lead in developing relationships with other organisations at the most senior level?
- How well does the PCC exercise 'leadership' for the community?
- Is the PCC upholding and demonstrating the spirit and ethos of good governance that the Framework sets out to capture?
- Is there a process for regularly reviewing our governance arrangements and practice against the Framework?
- What further improvements are needed?
- Are the results of reviews and plans for future improvements made public, and is feedback invited from stakeholders and service users?

# Risk management

## Introduction

Risk is the uncertainty that an event or action will adversely affect an organisation's ability to achieve its objectives and to execute successfully its strategies. 'An organisation's risk management framework provides the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation'<sup>2</sup>. The risk management framework is embedded within the organisation's overall strategic and operational policies and practices and hence forms a key part of the system of governance.

## Definition

Risk management can be defined as *"coordinated activities to direct and control an organization with regard to risk"*<sup>3</sup>. It is not about being 'risk averse' but is about being 'risk aware'.

## Risk governance

Risk governance examines how risk management is integrated into the governance arrangements of an organisation. A key part of the leadership of risk management is the responsibility of an organisation's governing body to ensure that it is satisfied with the management of risk and its ownership of and accountability for the strategic risks of the organisation. It will need to determine risk tolerance – the maximum level the organisation is willing to take regarding each relevant risk and its risk appetite – the level and type of risk it is willing to accept in pursuit of its objectives. This also includes the maximisation of opportunities. It should not be so risk averse that it misses out on opportunities.

Good governance requires that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job. At the highest level, risk management must be closely aligned to the organisation's strategic objectives, ensuring that there is a clear focus, at the top of the organisation, on those significant risks that would prevent the organisation achieving its key business objectives. PCCs and forces should, therefore, be able to demonstrate that risk management has been embedded in corporate business processes, including:

- strategic planning
- financial planning
- service delivery
- policy making and review
- project management
- performance management.

Risk assessments should be performed on a continuous basis. Risks should be prioritised and ranked to capture the organisation's risk profile. To enable effective strategic risk management, the number of significant business risks 'owned' by any senior management team should be limited to those that are considered business critical – say the 10 to 20 top risks.

<sup>2</sup> Risk Management – Principles and guidelines BS ISO 31000:2009

<sup>3</sup> Risk Management – Principles and guidelines BS ISO 31000:2009

Above this, it becomes more difficult to effectively manage and monitor risks. Alternatively, rather than a top 20, a threshold approach can be adopted – i.e. those above a certain financial value, or below a certain level of service delivery. Risks requiring attention that are not owned by a senior management team should be owned lower down the hierarchy. Once risk management is embedded in an organisation, a top down and bottom up approach becomes key to identifying important risks. For instance, a risk identified within a Force initially at Basic Command Unit (BCU) level, might be escalated to Force level, where additional risks may be added. Similarly, direction on the management of risks should flow from the Force leadership to its BCUs, and from the PCC to the officers of the PCC.

To ensure effective risk governance, there should be a clear relationship between the strategic risks faced by the organisation and the organisational strategy. There should be clear ownership of the strategic risk profile by the leadership team.

At service or departmental level within a Force, service managers will need to be able to identify and manage those operational risks that could prevent or disrupt the delivery of services to users.

Any organisation's risks will change over time as its objectives, service delivery arrangements, the way in which it operates and the resources available to it change, either in response to local issues or to national policies. Risk management arrangements must be flexible enough to respond to these changes. What is seen as a low level operational risk today may be tomorrow's significant business risk.

## Responsibility for risk management

PCCs have a dual responsibility: for putting in place arrangements to manage their own risks, separate from those of the force, and for monitoring that the force has adequate risk management arrangements in place. To ensure an effective level of risk management, a PCC will need to be able to demonstrate, as a minimum, the following attributes:

- a risk management strategy/policy has been adopted for the office of the PCC
- A risk management strategy/policy has been adopted by the Force
- the risk management strategy/policy requires the PCC to:
  - identify corporate and operational risks
  - ensure the force has appropriate arrangements in place to identify risks to its business and service delivery
  - ensure appropriate arrangements are in place to align PCC and force risk management strategies where appropriate
- in identifying risks, the management strategy/policy for both the PCC and the Force should also:
  - identify and analyse causes and consequences
  - assess the risks for likelihood and impact
  - identify controls
  - allocate responsibility for the controls.

PCCs and chief constables will need assistance in carrying out their risk responsibilities and will need to identify the most effective structure for them to oversee the management of risk. This can be achieved through an audit committee convened in accordance with best practice identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.<sup>4</sup> Alternatively, the PCC may wish to establish a risk management committee. Within forces, best practice is to have a risk management committee of senior representatives of the base command units and chaired by a chief officer.

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<sup>4</sup> Audit Committees – Practical Guidance for Local Authorities, CIPFA, 2005

As the PCC and the force develop more robust risk management arrangements which reflect evolving best practice, it should be able to demonstrate of the following:

- the PCC and the force maintain and review a register of its own business risks linking them to strategic business objectives and assigning ownership for each risk. The risks arising from and within partnerships and other joint working arrangements should be identified as part of this process. The risk registers will be supported by a series of sector or departmental risk registers that identify and assign the lower level operational risks
- a body such as the audit committee has specific responsibility included in its terms of reference to consider corporate risk management, which will include aligning PCC and force risk management registers where appropriate. There should also be a link between this function and each organisation's arrangements for reviewing its system of internal control, which should include ensuring there is an appropriate audit trail about risk management decisions and process
- reports to support strategic policy decisions of the PCC and the force, and management of corporate business (including business cases and project initiation documents), include a risk assessment and the identification of mitigating action. This should include consideration of positive risks (opportunities) as well as negative risks (threats), linked to benefits management and commercial aspects of policing activity
- risk management awareness training is in place within the office of the PCC and the forces for those individuals with specific responsibility for risk management. Similarly, relevant training and guidance are in place for all appropriate staff to enable them to take responsibility for managing risk within their own working environment
- in some circumstances, consideration may need to be given to how risk registers are reported, particularly where they cover operationally sensitive matters and/or may attract Freedom of Information exemptions
- a risk management process that is reviewed and updated at least annually
- regular risk management reporting to the PCC and the Chief Constable.

## Transparency and accountability for risk

Whilst some operational risks and their management may need to be kept confidential (for example risks that would contain personal data or would be exempt under the Freedom of Information Act), public sector organisations are encouraged to be open to the public and other stakeholders about the strategic risks they face and how they propose to manage them. Public documents including the corporate strategy, an annual report, explanatory foreword to the accounts and the annual governance statement can be used to assist the communication of risks to the public and other stakeholders.

# Annual governance statements

## Reporting

*Delivering Good Governance in Local Government: Framework* urges local government bodies to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

From 2003/04, the Accounts and Audit Regulations required local government in England to carry out a review at least once in a year on the effectiveness of their systems of internal control and to prepare and publish a statement on internal control (SIC) in accordance with 'proper practices'.

In England, from 2007/08 the wider CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, was accorded 'proper practices' status by the Department for Communities and Local Government through non-statutory guidance.

The requirement to produce a SIC has subsequently been amended by the Accounts and Audit (England) Regulations 2011. Regulation 4(3) now requires all relevant bodies to prepare an annual governance statement which must accompany the statement of accounts. This requirement is reflected in the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* (CIPFA/LASAAC).

Key good practice features of an annual governance statement are described below:

- The statement has been properly approved.
- It is easily accessible by an organisation's key stakeholders including members of the public e.g. through its prominent display on the organisation's website.
- It reflects the vision of the organisation ie the big picture and not the detail.
- It demonstrates ownership by the organisation – it has a high status within senior management.
- It is a key document for showing how the organisation is achieving its strategic objectives.
- It demonstrates challenge.
- Issues are clearly articulated and it communicates a clear and concise message.
- It clearly communicates what has been done to resolve significant control issues and what remains to be done.
- Actions identified are SMART (specific, meaningful, allocated, realistic and timely).
- It is a 'living' document ie it is not focussed exclusively on year end and communicates significant issues which may change from year to year.



## Addendum to Delivering Good Governance in Local Government: Framework

The Supplement included in the *Delivering Good Governance in Local Government: Framework* has an example annual governance statement. In autumn 2012, CIPFA/SOLACE will be issuing an Addendum including an updated example showing an increased emphasis on a strategic approach focussing on outcomes and value for money. The example has also been updated to reflect Regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement rather than a statement on internal control.

# Audit committees

PCCs and chief constables have the freedom to make their own judgements about appropriate governance arrangements and to justify their decisions through the relevant accountability channels. Both will want to satisfy themselves that the structures and arrangements cover all aspects of effective governance. It is important that committees are clear about the roles and responsibilities and terms of reference of each element of the structure.

The following guidance is intended to help PCCs and Forces enhance the effectiveness of their structures by clarifying functions and roles for the audit committee.

An audit committee should be in place to deal with audit and related matters for both the PCC and the Chief Constable. The Financial Management Code of Practice recommends that a joint arrangement should be established.

The focus of an audit committee is to oversee financial processes, audit and risk management. The CIPFA document *Audit Committees: Practical Guidance for Local Authorities* (2005)<sup>5</sup> recommends that the audit committee will:

- consider the effectiveness of the risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
- be satisfied that the PCC's and force's assurance statements properly reflect the risk environment and any actions required to improve it
- approve (but not direct) internal audit's strategy, plan and monitor performance
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- receive the annual report of the head of internal audit
- consider the reports of external audit and inspection agencies
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

## Benefits of an audit committee

Good governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an independent audit committee. The audit committee can have a significant role in:

- helping to ensure an organisation achieves value for money (this is explored more fully in the paragraph below)
- giving additional assurance through a process of independent and objective review

<sup>5</sup> CIPFA will be looking to update this guide in 2013 to take account of changes to local government audit.

- helping to improve the adequacy and effectiveness of risk assessment, risk management and internal control
- reinforcing the objectivity, importance and independence of internal and external audits and therefore the effectiveness of the audit function
- raising awareness of the need for sound control and the implementation of recommendations by internal and external audit
- ensuring effective arrangements exist for enabling a whistle blower to report irregularities.

Other roles might include:

- consideration of delegation frameworks (particularly that to the chief officer) and protocols
- oversight of the local code of governance
- ensuring adequate frameworks and processes are in place to monitor governance arrangements on an ongoing basis
- oversight of protocols/frameworks for partnership working to ensure they include key governance values.

## Value for money

Value for money is often referred to as the three Es – economy, efficiency and effectiveness. Whilst the responsibility for achieving value for money rests with management, the audit committee can have a crucial role in overseeing arrangements for securing value for money. It can do this in a number of ways:

- reviewing the value for money strategy
- commissioning individual value for money reviews to look at specific areas
- considering reports from the internal auditor on value for money arrangements; internal auditors should also examine controls aimed at ensuring value for money when carrying out reviews aimed at examining systems and controls
- examining the applicability of available value for money good practice guidance.

## Questions for the audit committee to ask in relation to value for money include:

- Does the organisation have a value for money strategy?
- What work on value for money is being carried out by the internal auditors?
- What additional work on value for money is being carried out?
- What management processes have been adopted to ensure value for money is achieved?
- Do the internal auditor's annual report and the audit committee's annual report comment on value for money?
- Can the organisation identify how much money it has saved through its value for money initiatives?

## Ensuring effectiveness

For audit committees to be effective, they should have:

- clear, distinct and up to date terms of reference
- an appropriate place within the governance structure and effective reporting arrangements
- members that are fully aware of their role, appropriately trained and independent minded
- a skilled chair supported by members with financial and audit expertise

- an appropriate balance of expertise, experience, continuity and political neutrality to discharge its responsibilities
- officer support (including a secretary role)
- a clearly set out and agreed (but flexible) annual work plan
- a wide-ranging agenda that reflects the governance, risk and control priorities of the PCC and force
- access to other committees/information as required
- agenda papers circulated well in advance of the meetings
- meetings arranged on a regular basis
- engagement with a wide range of services in accordance with the risks under review
- regular assessment of performance as a committee.

## Bibliography

Audit Committees: Practical Guidance for Local Authorities, 2005 (CIPFA will be updating this guide in 2013)

Better Governance Forum – Audit Committee briefings

Local Government Governance Review, 2012 (Grant Thornton)

# The role of scrutiny

## Introduction

The PCCs will be held to account through the Police and Crime Panels which have been established for every police force area in order to scrutinise the PCC and support them in carrying out their functions effectively.

Challenge and scrutiny contribute to good governance by being a key part of accountable decision making, policy making and review. This section considers key features that can contribute to effective scrutiny.

## Principles of good scrutiny

The Centre for Public Scrutiny has established four core principles of good scrutiny. It:

- provides critical friend challenge to executive policy makers and decision takers
- enables the voice and concerns of the public
- is carried out by independent-minded people who lead and own the process
- drives improvement in public services.

## Making scrutiny effective

In its document *Leadership of Place: The role of overview and scrutiny*, the Leadership Centre for local government identified several themes for improved scrutiny including:

- **recognition of and support for scrutiny** – the sign of a mature organisation and its leadership is a willingness to be challenged and to see robust (and resourced) challenge as a necessary part of good governance
- **members taking responsibility for their own effectiveness** – scrutiny must be led and owned by members and there is much that members themselves can and should do to improve their own performance, skills and capacity.

In *Holding politicians to account? Overview and scrutiny in English local government*<sup>6</sup> some further suggestions for enhancing scrutiny were considered and they are summarised below:

### **Member leadership and engagement**

Chairs and members need to be willing to challenge through questioning on topics of local relevance where there is a realistic prospect of influencing change.

To maximise the effectiveness of meetings, the chair and vice-chair should work with the appropriate officer to decide how to structure meetings, who to invite and how the investigation should be concluded.

<sup>6</sup> By Andrew Coulson and Philip Whiteman, published in the May 2012 edition of Public Money and Management.

The chair will need to be:

- appropriately knowledgeable and skilled to be able to manage the meeting
- firm and tactful with those answering questions
- able to understand technical issues quickly
- able to lead, inspire and motivate the team
- a visible champion for scrutiny, raising its profile internally and externally
- proactive.

The chairs and members will need appropriate training.

The chair must be able to maintain a relationship with the PCC and senior officers.

In turn, the PCC should receive the reports sympathetically and act upon them as appropriate in order to effect improved outcomes in service delivery.

### ***Genuine non-partisan working***

The process can work more effectively when a members can present a report with sound recommendations based on the best evidence available with all-party support.

### ***Effective dedicated officer support and management of the process***

Scrutiny is unlikely to be effective without the support of capable officers. Their duties include:

- Working with the committee chair and vice-chair
- Planning research
- Preparing background reports
- Inviting and briefing witnesses
- Writing draft reports.

They will need to:

- Have excellent research skills
- Knowledge of the local area
- Interest in local and general affairs
- A diplomatic approach.

### ***A supportive officer culture***

Good scrutiny depends on people willing to share and expect something constructive from the process. Concerns need to be taken seriously and where relevant incorporated into appropriate recommendations.

### ***A high level of awareness and understanding of the role of scrutiny***

The function of scrutiny and the role of members need to be understood throughout the force and public awareness raised. It should be made clear that it is not a substitute for an audit committee.

## **Bibliography**

*Holding politicians to account? Overview and scrutiny in English local government*, Andrew Coulson and Philip Whiteman, Public Money and Management, May 2012

*Leadership of Place: The role of overview and scrutiny*, the Leadership Centre for local government

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# Principles of good governance (summary)

## The Cadbury Report (1992)

*The Report of the Committee on the Financial Aspects of Corporate Governance* (the Cadbury Report) identified three fundamental principles of corporate governance as:

<b>Openness</b>	An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.
<b>Integrity</b>	This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.
<b>Accountability</b>	This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

The Cadbury Report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

## The Nolan Committee (1995)

Aspects of corporate governance in the public services have been addressed by the Committee on Standards in Public Life (the Nolan Committee, today chaired by Sir Christopher Kelly) which was established in 1994 to examine concerns about standards of conduct by holders of public office. Standards of conduct are regarded as one of the key dimensions of good governance. The first report published in May 1995 identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles. The principles of public life are:

<b>Selflessness</b>	Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
<b>Integrity</b>	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
<b>Objectivity</b>	In carrying out public business, including making public appointments awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
<b>Accountability</b>	Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

<b>Openness</b>	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
<b>Honesty</b>	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
<b>Leadership</b>	Holders of public office should promote and support these principles by leadership and example.

## Good Governance Standard for Public Services

In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wants all public sector organisations to adopt. The commission, set up by CIPFA in conjunction with the Office for Public Management, says there should be a common governance standard for public services similar to the private sector's UK Corporate Governance Code (formerly the Combined Code).

The *Good Governance Standard for Public Services* builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it recommends should underpin the governance arrangements of all bodies – a clear definition of the body's purpose and desired outcomes; well-defined functions and responsibilities; an appropriate corporate culture; transparent decision-making; a strong governance team; and real accountability to stakeholders.





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