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| **The Police and Crime Commissioner for Cleveland and the Chief Constable Cleveland Police** |
| **Assurance Review of Governance – Strategic Control and Corporate Governance** |
| **2017/18** |

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| **Executive Summary** |

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| **OVERALL ASSURANCE ASSESSMENT** | **OVERALL CONCLUSION** |
|  | |  |  | | --- | --- | |  | * **Generally the Force has adequate policies and procedures in place to facilitate good Corporate Governance practices.** * **The Joint Corporate Governance Framework requires updating and to have version control to manage the updating process.** | |  | * **The Force Command Management Responsibilities and teams are under review and are being restructured with appropriate terms of reference.** | |  | * **A Corporate Plan is in place for the period 2017 – 2020.** | |
| **RATIONALE AND SCOPE** | **ACTION POINTS** |
| Rationale  This is a key governance audit risk area which underpins the effective governance of the organisation to assist in the delivery of corporate and strategic plans.  Scope  The review considered the role and operation of the: Key strategic Boards and senior management groups; standing orders and financial regulations; and delegated authorities. The review did not include consideration of the extent of compliance and reporting on controls assurance or the arrangements for managing risks or conflicts of interest. | |  |  |  |  | | --- | --- | --- | --- | | **Urgent** | **Important** | **Routine** | **Operational** | | **0** | **2** | **0** | **0** | |

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| **Management Action Plan - Priority 1, 2 and 3 Recommendations** |

| **Rec.** | **Risk Area** | **Finding** | **Recommendation** | **Priority** | **Management**  **Comments** | **Implementation**  **Timetable**  **(dd/mm/yy)** | **Responsible**  **Officer**  **(Job Title)** |
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| 1 | Directed | While the Joint Corporate Governance Framework is a comprehensive document it does require at least an annual review to confirm all sections are relevant and have current data within. There are several sections of the Joint Corporate Governance Framework that are out of date and need updating/reviewing. This should be done at an early time and reported to the Management Board and then to the Audit Committee. In addition, version control needs to be incorporated within the document. | The Joint Corporate Governance Framework be updated to reflect current practices and changes to the Framework and to incorporate version control within the document. | **2** | The Corporate Governance Framework will continue to be reviewed on an annual basis and reported to the Audit Committee at either their March or June meeting. | *June 2018* | *CFO - PCC* |
| 2 | Directed | While the Joint Corporate Governance Framework is a comprehensive document it does require at least an annual review to confirm all sections are relevant and have current data within. There are several sections of the Joint Corporate Governance Framework that are out of date and need updating/reviewing. This should be done at an early time and reported to the Management Board and then to the Audit Committee. In addition, version control needs to be incorporated within the document. | The Joint Corporate Governance Framework be reviewed annually and be reported to the Management Board and Audit Committee accordingly. | **2** | The Joint Corporate Governance Framework will be reviewed annually and will be reported to the Management Board and Audit Committee on an annual basis. | June 2018 | CFO - CC |

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| **Operational Effectiveness Matters** |

| **Ref** | **Risk Area** | **Item** | **Management**  **Comments** |
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| No Operational Effectiveness Matters were identified. | | | |

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| **Detailed Findings** |

**INTRODUCTION**

1. This review was carried out in September 2017 as part of the planned internal audit work for 2017/18. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

**BACKGROUND**

1. The Police and Crime Commissioner and Chief Constable recognise that they are responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability staff will be responsible for putting in place proper arrangements for the governance of the Police and Crime Commissioner’s and Chief Constable’s affairs and the stewardship of the resources.
2. The Police and Crime Commissioner and Chief Constable for Cleveland have therefore produced a Joint Corporate Governance Framework which brings together all the key governance documents/arrangements for the Force.

**MATERIALITY**

1. Strategic Control and Corporate Governance are the foundation by which Cleveland Police conduct their affairs in an accountable, efficient and effective and transparent manner. The annual budget for the Police and Crime Commissioner for Cleveland and the Chief Constable Cleveland Police is some £120m.

**KEY FINDINGS & ACTION POINTS**

1. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

**SCOPE AND LIMITATIONS OF THE REVIEW**

1. This is a key governance audit risk area which underpins the effective governance of the organisation to assist in the delivery of corporate and strategic plans.
2. The review considered the role and operation of the: Key strategic boards and senior management groups; standing orders and financial regulations; and delegated authorities. The review did not include consideration of the extent of compliance and reporting on controls assurance or the arrangements for managing risks or conflicts of interest.
3. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

**DISCLAIMER**

1. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

**RISK AREA ASSURANCE ASSESSMENTS**

1. The definitions of the assurance assessments are:

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| **Substantial Assurance** | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved. |
| **Reasonable Assurance** | The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved. |
| **Limited Assurance** | The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved. |
| **No Assurance** | There is a fundamental breakdown or absence of core internal controls requiring immediate action. |

**ACKNOWLEDGEMENT**

1. We would like to thank staff for their co-operation and assistance during the course of our work.

**RELEASE OF REPORT**

1. The table below sets out the history of this report.

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| **Date draft report issued:** | 21st September 2017 |  |
| **Date revised draft report issued:** | 4th October 2017 |  |
| **Date management responses received:** | 20th November 2017 |  |
| **Date final report issued:** | 22nd November 2017 |  |

1. The following matters were identified in reviewing the Key Risk Control Objective:

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| **Directed Risk: Failure to direct the process through approved policy & procedures.** |

**Joint Corporate Governance Framework**

* 1. The PCC/CC have a Joint Corporate Governance Framework which includes the following headings:

Statement of Corporate Governance for the Police and Crime Commissioner and Chief Constable;

* Code of Corporate Governance for the Police and Crime Commissioner and Chief Constable;
* Scheme of Corporate Governance; and
* Financial Regulations and Standing Orders, which include the following;
  + - Section A – Financial Management Framework
    - Section B – Financial Planning and Control
    - Section C – Management of Risk and Resources
    - Section D – Systems and Procedures
    - Section E – External Arrangements
    - Section F – Contract Standing Orders
    - Section G – Delegation Limits
    - Section H – Guidance Notes on Breach of Standing Orders or Financial Regulations
    - Section I – Anti Fraud and Corruption Strategy
  1. A review of the Joint Corporate Governance Framework has identified the following matters:
     + The footer in the document from page 75 (Section F) onwards is shown as a “PCC draft - May 2017” and not as “Scheme of Corporate Governance”;
     + The document is identified as version 11 but there is no version control with dates of revisions within the document;
     + Section 1.5. Leadership refers to the Corporate Governance Group. This requires amending to reflect that the Corporate Governance Group will only meet when required to do so and not annually, although the role of the Management Board could replace the Corporate Governance Group.
     + Section 2. Code of Corporate Governance 2.3 States that a Commissioning Strategy is being developed. Following discussions with the Chief Finance Officer this should be available by the end of December 2017.
     + Section 3. Scheme of Corporate Governance 3.7.4 States that a scheme of delegation is to be reported annually to the Joint Audit Committee. It was confirmed that this is done at either the March or June Audit Committee each year.
     + Section C. Management of Risk and Resources External Audit C3.17/18. This needs updating to reflect current arrangements of PSAA in awarding external audit contracts.
     + Section C. Management of Risk and Resources Preventing Fraud and Corruption C4.5. There is no longer a Fraud Response Plan. Page 103 onwards, the Anti-Fraud and Corruption Strategy needs updating in the Corporate Governance Framework to reflect the current document.
  2. Whilst the Joint Corporate Governance Framework is a comprehensive document, it does require at least an annual review to confirm all sections are relevant and have current data within. Annually, a report should go to the Management Board and then to the Audit Committee to either identify changes made or to confirm the Joint Corporate Governance Framework document is still current. As identified in this report there are many sections of the Joint Corporate Governance Framework that are out of date and need updating/reviewing. This should be done at an early time and reported to the Management Board and then to the Audit Committee. In addition, version control needs to be incorporated within the document.

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| **Recommendation: 1** | **Priority: 2** |
| **The Joint Corporate Governance Framework be updated to reflect current practices and changes to the Framework and to incorporate version control within the document.** | |
| **Recommendation: 2** | **Priority: 2** |
| **The Joint Corporate Governance Framework be reviewed annually and be reported to the Management Board and Audit Committee accordingly.** | |

* 1. A Corporate Plan for 2017-2020 has been developed with the following key headings:
     + Towards 2020; Operational Effectiveness;
     + Leadership and People;
     + Legitimacy and Integrity;
     + Organisational Efficiency; and
     + How We Will Pay For It.

The Corporate Plan identifies the forward direction for the Force and how the police service will meet the needs of the community up to 2020.

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| **Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.** |

* 1. The main Management Board has key representatives from both the OPCC (to include the PCC) and the Force (to include the Chief Constable). The Audit Committee is made up of five independent members. In addition, there is currently a Towards 2020 Board.
  2. The Management Board and Towards 2020 Board both meet on a regular basis. A review of a sample of agendas and minutes confirmed that attendance was good and that key issues were discussed. An action plan flowing from the meeting was produced for matters to be progressed between meetings.
  3. At its meeting on 16 August 2017 the Management Board received a report titled “Governance Review – Corporate Meeting Framework”. This document identified a number of activities that are taking place to reinforce and strengthen governance throughout the Force. These activities include:
     + Improving the process of preparing the annual governance statement;
     + Transitioning to preparing a statement that is in line with the revised principles of good governance set out in the 2016 CIPFA Framework;
     + Improving the process of reviewing and testing governance process and structures within Commands and Departments;
     + Undertaking an annual review of governance process and structures across the Force; and
     + Reviewing the Force’s decision making structures and meeting framework to ensure adequate planning is taking place and that risk is being identified and managed.

This paper also incorporates the terms of reference for the various Boards and Groups that will play an integral role in achieving the above activities. The implementation of the activities described within this document will provide the foundation for the further development of good governance within the Force and is fully supported by internal audit.

* 1. The Audit Committee meets four times a year. From a sample of meetings minutes are recorded and actions identified and followed up at the next meeting.

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| **Operational Risk: Failure to identify opportunities to operate more efficiently or to be prepared for forthcoming changes.** |

* 1. The Force is currently reviewing and updating many of its procedures and operational practices. This includes the Cleveland Police Command Management Responsibilities and how the various teams interact with each other and their respective terms of reference.
  2. The Terms of Reference for the following collaborative agreements were reviewed and found to be in order:
     + Cleveland and North Yorkshire Major Investigations Team;
     + Dogs Support Unit;
     + North East Regional Special Operations Unit; and
     + Cleveland and Durham Specialist Operations Unit.
  3. The Terms of Reference for the Audit Committee was also reviewed and found to be in order.

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