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|  |  |  | **Internal Audit** |  |
|  |  | **FINAL** |  |
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|  | **The Police and Crime Commissioner for**  **Cleveland and the Chief Constable**  **Cleveland Police** |  |  |  |
|  | **Assurance Review of Commissioner’s Grants** |  |  |  |
|  | **2019/20** |  |  |  |
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| **Executive Summary** |

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| **OVERALL ASSURANCE ASSESSMENT** |  | **OVERALL CONCLUSION** |
|  |  | |  |  | | --- | --- | | **Following the previous audit (RSM UK) in September 2016 the OPCC have implemented a number of improved control features which support the award of Commissioner’s Grants.** | | |  | **The existing Commissioning Strategy document dated January 2015 is still a "Draft for Consultation" and requires updating.** | |  | **Overall Commissioner’s Grants are well managed with appropriate and adequate controls in place to support transparency and accountability.** | |
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| **SCOPE** |  | **ACTION POINTS** |
| The review considered the arrangements for the assessing, awarding and compliance monitoring process for the grants awarded by the Commissioner. |  | |  |  |  |  | | --- | --- | --- | --- | | **Urgent** | **Important** | **Routine** | **Operational** | | **0** | **0** | **1** | **1** | |

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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 | The OPCC has a Commissioning Strategy that was produced in January 2015. This document is still a "draft for consultation" and needs to be approved and issued as a final document, although the OPCC are aware that this document needs updating which is currently work in progress. | The Commissioning Strategy and the other documents identified within the Strategy require be updated and approved as final documents. | 3 | *The existing commissioning strategy is undergoing a complete review with the OPCC team, and will be completed by year end* | *31/03/20* | *Strategic Contracts & Governance Manager* |

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| **Operational Effectiveness Matters** |

| **Ref** | **Risk Area** | **Item** | **Management**  **Comments** |
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| 1 | Directed | The Funding Application Guidance Notes requires updating to reflect current events such as the address for the PCC and the regular meeting of the panel for grant decisions. | *A review will be carried out of the OPCC website, and associated funding application material to ensure all information published is correct and up to date.*  *Following the audit, it has been discovered that when searching on the OPCC website some older documents are recovered first, giving the impression that some policies and strategies are out of date. This has been rectified, and as documents are updated and/or replaced, older versions will be removed.* |

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| **Detailed Findings** |

**Introduction**

1. This review was carried out in June 2019 as part of the planned internal audit work for 2019/20. 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 PCC currently has two types of funding for Commissioner’s Grants:

**PCC Community Safety Fund**

The Police and Crime Commissioner receives funds from central government to distribute to organisations and groups who are committed to improving community safety in Cleveland.

In accordance with Section 143 of the Antisocial Behaviour, Crime and Policing Act 2014, all awards from this fund must address one or more of the following:

* Crime and disorder reduction, including antisocial behaviour, in communities and neighbourhoods;
* Reducing the misuse of drugs, alcohol and other substances;
* Reducing re-offending; and
* Helping victims, witnesses or other people affected by crime and antisocial behaviour (where services are not already being commissioned by the PCC).

**Police Property Act**

The Police Property Act Fund is created from the sale of recovered stolen goods or property where the owners are not known and cannot be traced. The Police and Crime Commissioner will consider applications from local voluntary and community groups who are working for charitable purposes to improve the lives of people in the Cleveland area.

**Materiality**

1. The total spend on Commissioner Grants (Community Safety, Victims and Witnesses Services and the Police Property Act) is circa £3m for 2019/20. It is also a relatively high risk area and periodic audit will provide the Commissioner and others with assurance that grants are being appropriately awarded and managed.

**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. The review considered the arrangements for the assessing, awarding and compliance monitoring process for the grants awarded by the Commissioner.
2. 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:** | 24th June 2019 |  |
| **Date management responses received:** | 18th July 2019 |  |
| **Date final report issued:** | 18th July 2019 |  |

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.** |

* 1. The previous internal audit of Commissioner’s Grants was undertaken by RSM in September 2016. RSM made eight recommendations and gave an overall opinion of Partial Assurance (Limited Assurance). A review of the action taken in response to the RSM report confirmed that all recommendations made had been suitably implemented, as below.
     + Recommendation 1: *The OPCC will ensure that organisations submit their grant return information in a timely manner to ensure that all key information such as key deliverables/ performance and a breakdown of the use of the grant is reported*. Regular monitoring reports are received from the grant recipient. If a report is not forthcoming then future grant money is withheld until the report is received and it is confirmed the grant monies have been spent in accordance with the agreement.
     + Recommendation 2: *The OPCC will ensure that all decision forms are retained to document approval and made available on the PCC's website*. The PCCs decision process has been evidenced and these decisions appear on the PCCs web site.
     + Recommendation3: *The OPCC will ensure that all grants in place have a signed agreement. A review of the system for the grants and agreements will be undertaken to ensure that all monies granted to recipients are spent in accordance with the PCC objectives. Standard terms of conditions will be drafted for any grants issued to ensure compliance is imposed*. Where appropriate it has been evidenced that all grants have a signed agreement with standard terms and conditions.
     + Recommendation 4: *The OPCC will perform financial viability checks for non-public bodies which are awarded grants of over £10,000*. It has been evidenced that for grants awarded over £10,000 a financial viability check is undertaken.
     + Recommendation 5: *The OPCC will ensure that all funds are used in accordance with the agreement particulars. Staff salary costs will not be supplemented unless explicitly stated within the application*. The grant application clearly states that salary costs are not funded by grant.
     + Recommendation 6: *The OPCC will define and state within the grant agreement examples of capital items that must not be purchased.* This recommendation has been actioned
     + Recommendation 7: *The OPCC will ensure that organisations who apply for grants can prove their insurance particulars to ensure that they are in accordance with the grant agreement*. It has been evidenced that, where appropriate, insurance particulars are checked and verified on an annual basis.
     + Recommendation 8: *The OPCC will implement a cyclical programme of undertaking spot checks and short notice audits to ensure that grants are being used in accordance with the crime report and grant agreements*. It has been evidenced that periodic audits are carried out by staff in the OPCC to confirm grant money is spent in accordance with the award criteria.

**Policy and Procedures**

* 1. There are a number of different types of grant funding. These include: Commissioner Grant Funding; Property Act Funding; and, Community Safety Initiative Funding.
  2. The OPCC has a Commissioning Strategy that was produced in January 2015. This document is still a "draft for consultation" and needs to be approved and issued as a final document, although the OPCC are aware that this document needs updating which is currently work in progress. The current document reads well but is in need of being updated to reflect current practice.
  3. There is a Commissioning Framework dated March 2014 which again reads well but is in need of being updated. This document is also identified as a "draft for consultation".
  4. In addition, the Consultation and Engagement Strategy is dated 2012 - 2016. Again this document was prepared before 2012 and needs updating.

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| **Recommendation: 1** | **The Commissioning Strategy and the other documents identified within the Strategy require be updated and approved as final documents.** |
| **Priority: 3** |

* 1. Following an application by an individual or organisation the OPCC review the request for funding in accordance with the laid down criteria and in particular whether it supports one of the Commissioner’s key objectives. The OPCC then recommend to the Commissioner those grants that meet the criteria and can be supported for funding. Once funding is approved by the PCC, for smaller grants (usually less than£10,000 and for purchases) these will be validated after the purchase has been made. For larger awards and those that involve a forward timeline then regular monitoring takes place with staged payments of the grant. In addition, for the larger awards a formal agreement with standard terms and conditions will be entered into. In addition, financial viability checks and insurance provision will be required for these larger awards. The recipient of the grant is required to report on how the money has been spent to confirm this is in accordance with the agreement. For a selection of grants the OPCC will carry out their own audit of the organisation to confirm grant money has been spent as agreed.
  2. The OPCC website for Cleveland Police and Crime Commissioner is easily found using Google. Once on the website access to the Funds application process is clear. By entering the "Transparency" icon and the "Applying for PCC Funding" icon you can then access the Funding page. All 2018/19 approved funding allocations are identified on the web. Also on the website are the Funding Application Guidance Notes. The address details on page 3 of the Guidance Notes are however incorrect and still refer to Ladgate Lane. In addition, the PCC decision paragraph refers to the panel meeting monthly. The panel now meets every quarter.

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| **Operational Effectiveness Matter: 1** | **The Funding Application Guidance Notes requires updating to reflect current events such as the address for the PCC and the regular meeting of the panel for grant decisions.** |

* 1. In addition, the following documents are available on the website:
     + Funding Application Form;
     + Grant Agreement - Progress Report Template; and,
     + Grant Budget Return Form.

The data on the web is easily accessed and does incorporate many recent changes such as reference to the new General Data Protection Regulation.

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

**Register of Grants**

* 1. A comprehensive register (bid tracker) is maintained of all grants both awarded and declined. The register is maintained on an annual basis. Three grants were selected for a detailed reviewed of the process/procedures that flowed from the award of grant. Examination of the records confirmed the following (where required):
     + application for the grant was received;
     + the Commissioner had approved the grant;
     + a grant agreement was in place;
     + insurances were in place an annually reviewed; and
     + quarterly monitoring of spend and compliance with the grant was present/evidenced.
  2. Testing confirmed that appropriate and adequate controls were in place and were working as expected.

**Supporting the Police and Crime Plan**

* 1. All grant applications have to identify how the grant supports the Commissioner’s Police and Crime Plan objectives before it can be approved. Each application is fully considered and recommendations for grant approval are discussed by the PCC and his operational team for approval.

**Transparency**

* 1. The team responsible for the scrutiny of grant applications is independent of the organisations requesting grant. The review process is open and transparent and the decisions for grants approved are posted on the website. This also facilitates other organisations who may require grant to understand the type and purpose of grants being approved.

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

**Monitoring and Recording**

* 1. All grants are monitored. For one off purchases these are verified as being made and in accordance with the grant award. For ongoing projects the recipient of the grant is required to produce quarterly monitoring reports to confirm grant money has been expended and is in accordance with the grant award. All monitoring reports are recorded and are filed as part of the recipient’s record.

**Reporting**

* 1. The recipient of the grant is required to produce regular (usually quarterly) reports. These support the next payment, without this report the grant funding is suspended. In addition, at the end of the project the grant recipient is required to produce an end of project report to show how the grant has benefited the community.

**Payment**

* 1. Once a grant has been approved and signed by both parties, a purchase order is created. The grant organiser is required to invoice for release of grant money against the purchase order. The OPCC are required to goods receipt the invoice before payment can be made. For small purchases the grant would be paid up front. Also for longer term projects the first payment is made in advance and then expenditure is verified before subsequent grant money is released.

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