POLICE AND CRIME COMMISSIONER FOR CLEVELAND AND CHIEF CONSTABLE OF CLEVELAND

Annual internal audit report 2016/2017

May 2017

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RSM

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

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

1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2017, the head of internal audit opinion for Police and Crime Commissioner for Cleveland is as follows:

Head of internal audit opinion 2016/2017
The organisation has an adequate and effective framework for risk management, governance and internal control. **However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.**

For the 12 months ended 31 March 2017, the head of internal audit opinion for Chief Constable of Cleveland is as follows:

Head of internal audit opinion 2016/2017
The organisation has an adequate and effective framework for risk management, governance and internal control. **However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.**

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope of our work

The formation of our opinions are achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinions do not imply that internal audit has reviewed all risks and assurances relating to the organisations. The opinions are substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the OPCC and Chief Constable take in to account in preparing the Annual Governance Statements (AGSs).

1.3 Factors and findings which have informed our opinion

We have undertaken the following work which has informed our year-end opinion on the systems of internal control, governance and risk management across the organisations.

Governance

An audit of the Force's annual governance assurance statement process was undertaken during the year which resulted in a substantial assurance opinion. Although we did not perform a specific governance review at the OPCC, we confirmed sufficient reporting had been undertaken in the following areas: Grants, Collaborations – CDSOU and Fingerprint Bureau and Victim Referral Services. It was evident that established governance arrangements were in place and performance had been regularly reported to the Police and Crime Commissioner.

We concluded that the governance arrangements in place, for both the Police and Crime Commissioner and Chief Constable, were adequate and effective.

Risk Management

Our risk management opinions were informed by the assessment of the risk mitigation procedures undertaken in the areas covered by our risk-based reviews in the following areas:

Police and Crime Commissioner for Cleveland

- Collaborative working: Collaborations – CDSOU and Fingerprint Bureau
- Commissioning of services and working with partners – Grants

Chief Constable of Cleveland

- The number of duplicate entries on the Integrated Records Information System (IRIS) – Data Quality

A review of the Force's data quality arrangements provided a substantial assurance opinion and the Force had made progress in reducing the number of duplicate entries recorded on the Niche Records Management System. We agreed a number of actions to improve the monitoring of grants approved by the Police and Crime Commissioner. Subsequent follow up of the actions concluded that the OPCC had made 'reasonable progress' to address the control weakness.

Our review of collaborations, specifically CDSOU and Fingerprint Bureau, identified remedial action was required to improve the control environment. All actions were agreed with the OPCC's management and were due to be implemented by the end of the financial year.

Through attendance at the Joint Audit Committee we confirmed the organisation's risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members.

Control

We undertook 13 audits of the control environment that resulted in formal assurance opinions. We identified the organisations had established controls frameworks in place for a number of the audits undertaken, however improvements in their application was also required in a number of areas. We also undertook two advisory reviews of the Force's procedure for handling of seized cash and identified areas for improvement.

Furthermore, the implementation and management agreement to the actions raised during the course of the year are an important contributing factor when assessing the assurance opinion on control. The Follow Up of Previous Internal Audit Actions concluded that reasonable progress had been made to implement the agreed actions.

In addition, we identified the Force had taken a proactive approach to address recommendations raised as part of the 2015 Police Effectiveness Efficiency and Legitimacy (PEEL) Inspections, when the Force was assessed as required improvement. Progress towards the implementation of recommendations, both from internal audit and HMIC, are scrutinised by the Risk, Audit and Inspection Monitoring Board (RAIMB) and reported to the Joint Audit Committee.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statements

We issued a total of six partial assurance opinions. Some of these opinions were not in areas considered material to the organisation's operations. We also undertook an in-year follow up of the management actions agreed which had become due for implementation and in all cases tested confirmed reasonable progress had been towards implementation, with a number of actions either fully implemented or where implementation was in progress.

The organisations should therefore consider the outstanding issues identified through the partial assurance opinion given for the Collaborations – CDSOU and Fingerprint Bureau and the significant actions not fully implemented from the Follow Up of Previous Internal Audit Actions review, where the actions agreed (from other Partial Assurance reviews) had not been fully implemented, when completing their annual governance statements.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

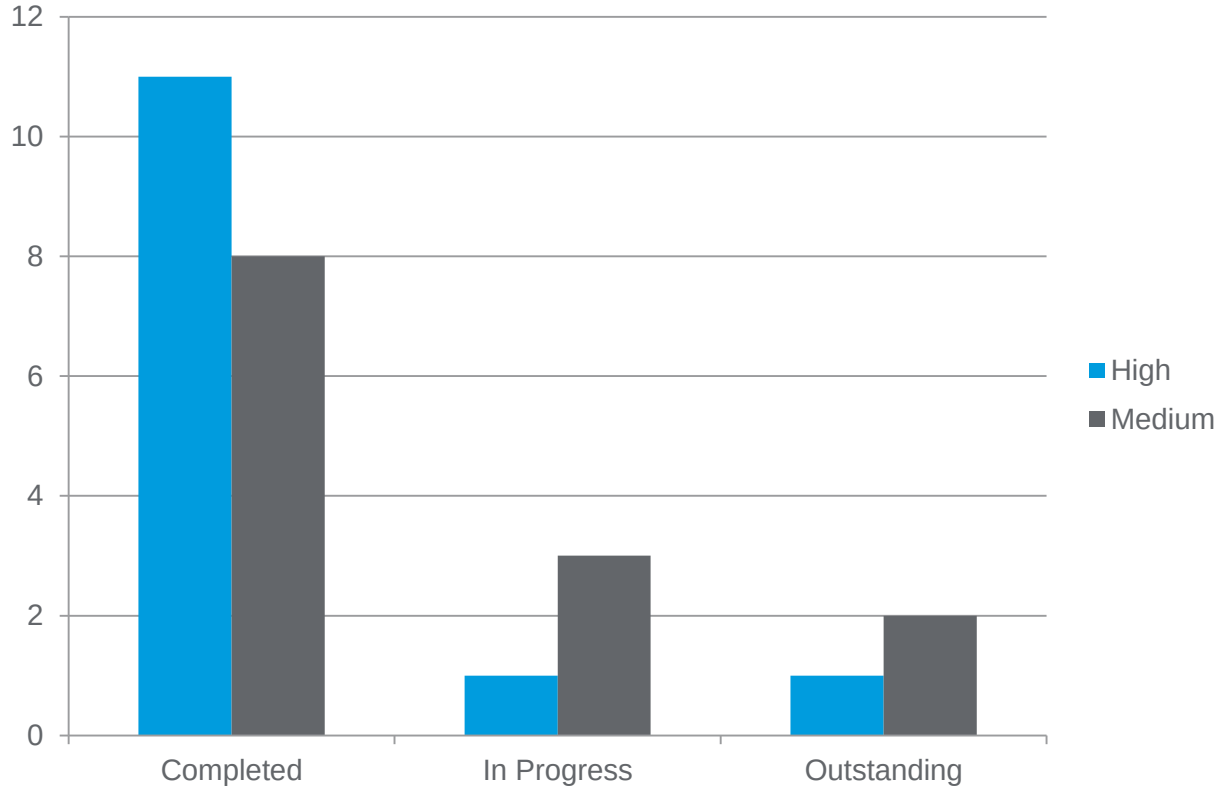
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2016/2017.

2.2 Implementation of internal audit management actions

Our follow up of the actions agreed to address internal audit findings shows that the organisations had made reasonable progress in implementing the agreed actions.



During 2016 – 2017, we followed up recommendations made from reviews performed during the period and we confirmed the organisations had made **reasonable progress** towards implementing the recommendations made. Three recommendations (one high and two medium) had not been implemented at the time of our review.

2.3 Working with other assurance providers

In forming our opinions we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

As part of our client service commitment, during 2016/17, we have undertaken the following:

- Issued Emergency Services sector updates and general briefings during the year.
- At Joint Audit Committee meetings, we have presented our briefings and discussed aspects around the topics with members.
- Undertaken assurance reviews and also shared good practice across the sector through our work.
- Made suggestions throughout our audit reports based on our knowledge and experience in the sector to provide areas for consideration.
- Maintained regular contact with management and responded to queries.

3.2 Conflicts of interest

The organisations have subscribed to RSM's 4Risk software service which is utilised throughout the year to manage the organisation's risk management arrangements. In addition, the Chief Finance Officer and Deputy Chief Executive engaged RSM to establish the Office of the Police and Crime Commissioner's commissioning framework.

We (RSM) do not consider that any of the above work would lead us to declare any conflict of interests as all of this work was (or will be) carried out under separate engagement letters, teams and engagement partners.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that "there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers." RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.4 Performance indicators

A number of performance indicators were agreed with the Joint Audit Committee. Our performance against those indicators is as follows:

Delivery			Quality		
	Target	Actual		Target	Actual
Audits commenced in line with original timescales	Yes	*No*	Conformance with PSIAS and IIA Standards	Yes	*Yes*
Draft reports issued within 10 days of debrief meeting	10 days	*10 days (average)*	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	*As and when required*
Final report issued within 3 days of management response	3 days	*One day (average)*	% of staff with CCAB / CMIIA qualifications	>50%	*67%*
			Turnover rate of staff	<10%	*No turnover of staff*
Audit reports presented to agreed Joint Audit Committee meetings	Yes	*No*	Response time for all general enquiries for assistance	2 working days	*2 working days*
Followed up agreed recommendations	Yes	*Yes*	Response for emergencies and potential fraud	1 working days	*N/A*

APPENDIX A: ANNUAL OPINIONS

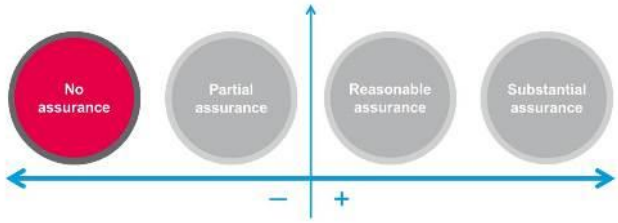
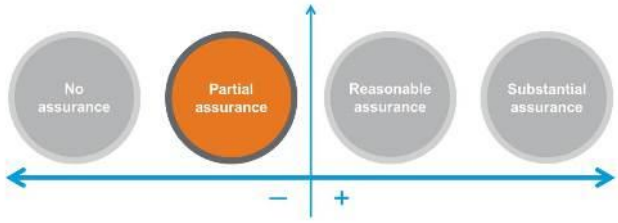
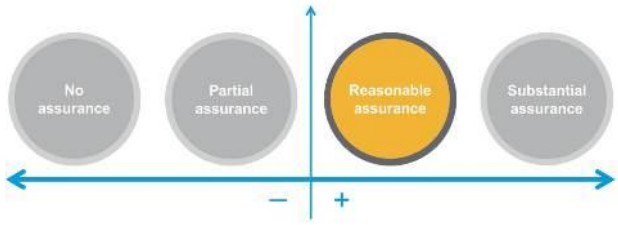
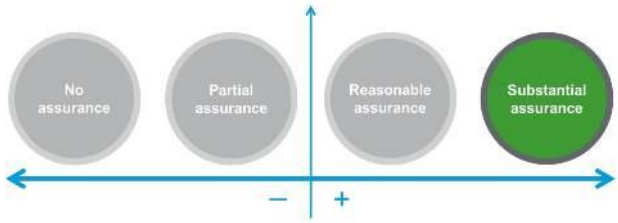
The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions
The organisation has an adequate and effective framework for risk management, governance and internal control.
The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.
The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2016/2017

Assignment	Assurance level	Actions agreed		
		H	M	L
Firearms / Taser Service Records	Partial	2	3	0
Collaborations – CDSOU and Fingerprint Bureau	Partial	1	4	1
IT Mobile Data	Partial	3	2	0
Grants	Partial	2	5	1
Estate Management – Lockers	Partial	1	2	0
Stockholding	Partial	4	1	0
Victim Referral Services	Reasonable	0	4	1
HR Management - Overtime: Time Off In Lieu (TOIL) and Rest Days In Lieu (RDIL)	Reasonable	0	2	0
Health and Safety	Reasonable	0	3	1
Complaints	Substantial	0	1	3
Annual Governance Assurance Statement	Substantial	0	0	1
Data Quality (including elements of Data Security and MoPI)	Substantial	0	0	1
Key Financial Systems: Creditors, Debtors and Fixed Assets	Substantial	0	0	2
Seized Cash Spot Checks – Redcar and Cleveland, Hartlepool and Middlesbrough	Advisory	2	4	0
Seized Cash Spot Checks – Middlesbrough and Stockton	Advisory	0	2	0
Follow Up of Previous Internal Audit Actions	Reasonable	3	4	0

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the Police and Crime Commissioner and Chief Constable can take:

	Taking account of the issues identified, the Police and Crime Commissioner and Chief Constable cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).
	Taking account of the issues identified, the Police and Crime Commissioner and Chief Constable can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).
	Taking account of the issues identified, the Police and Crime Commissioner and Chief Constable can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).
	Taking account of the issues identified, the Police and Crime Commissioner and Chief Constable can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

FOR FURTHER INFORMATION CONTACT

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