



POLICE AND CRIME COMMISSIONER FOR CLEVELAND AND CHIEF CONSTABLE OF CLEVELAND

Internal Audit Progress Report

23 March 2017

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CONTENTS

| | |
|--|----|
| 1 Introduction..... | 2 |
| 2 Reports considered at this Joint Audit Committee | 3 |
| 3 Looking ahead..... | 5 |
| 4 Other matters | 6 |
| Appendix A: Internal audit assignments completed to date | 10 |
| For further information contact | 12 |

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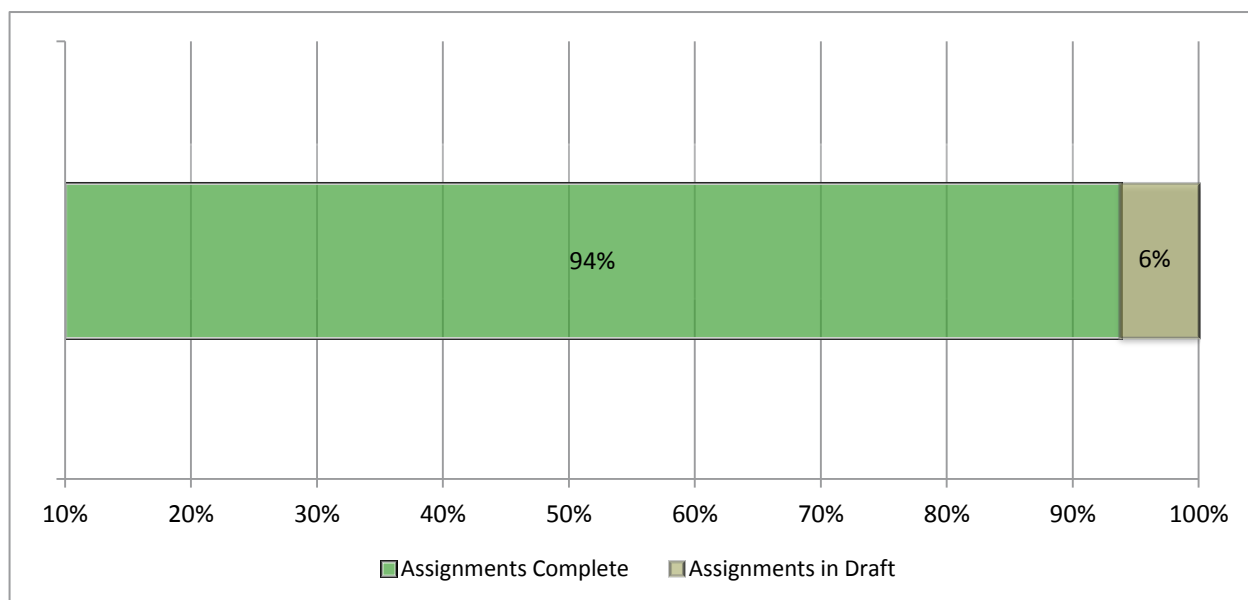
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1 INTRODUCTION

The internal audit plan for 2016/17 was approved by the Joint Audit Committee on 24th March 2016.

Please see the chart below for current progress against the plan.

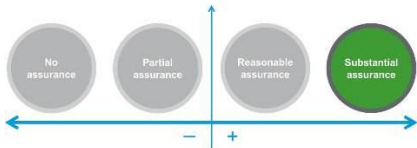
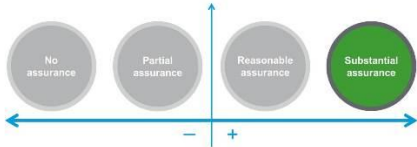



2 REPORTS CONSIDERED AT THIS JOINT AUDIT COMMITTEE

This table informs of the audit assignments that have been completed and the impacts of those findings since the last Joint Audit Committee held.

We have finalised four reports since the previous meeting in line with the agreed timetable. We have also issued one further report in draft (Follow Up), the fieldwork for this review was purposely delayed to allow for as many actions to pass their implementation date and be considered within our testing.

Appendix A also details of the full history of the audits completed in 2016/17.

| Assignments | Status | Opinion issued | Actions agreed | | |
|--|--------|--|----------------|---|---|
| | | | H | M | L |
| Complaints | Final |  | 0 | 1 | 3 |
| Annual Governance Assurance Statement | Final |  | 0 | 0 | 1 |
| Seized Cash Spot Checks – Redcar and Cleveland, Hartlepool and Middlesbrough | Final | No opinion provided | 2 | 4 | 0 |
| Victim Referral Services | Final |  | 0 | 4 | 1 |

2.1 Annual Opinion 2016/17

The JAC should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular, the JAC should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

We have issued six final reports with a partial assurance opinion to the Force and OPCC. We agreed at the last JAC that we would undertake a Follow Up of previously agreed management actions from the partial assurance opinions that had the potential to impact the year end opinion. We have followed up the implementation of the partial assurance internal audit reports, with the exception of Collaborations - CDSOU and Fingerprint Bureau, and we have confirmed the OPCC and the Force have demonstrated reasonable progress.

Based on these findings we do not anticipate issuing the OPCC and the Force with a negative annual opinion; however, the relevant significant findings and management actions agreed should be considered as part of the Annual Governance Statements.

3 LOOKING AHEAD

| Assignment area | Timing per approved IA plan 2016/17 | Status | Target Joint Audit Committee per the IA Plan 2016/17 |
|--|-------------------------------------|--|--|
| Follow Up of Previous Internal Audit Recommendations | January 2017 | Report issued in draft on 6 March 2017 | June 2017 |

4 OTHER MATTERS

4.1 Added value work

We have undertaken the following added value work in 2016/17.

| Area of work | How this has added value |
|--|--|
| The Commissioned Services Support Officer has shadowed RSM staff during the following reviews: Grants and Key Financial Controls: Creditors, Debtors and Fixed Assets. | The Commissioned Services Support Officer's role will include auditing the use of grant monies in accordance with the organisation's application and contract particulars. |
| The Commissioned Services Support Officer will also be shadowing RSM on the following reviews: Seized Cash Spot Checks and Victim Referral Services. | The support provided by RSM will allow the Commissioned Services Support Officer to identify controls and determine if they are well designed and have been applied consistently to support compliance with the contract particulars associated with the grant monies. |
| The Chief Finance Officer of the OPCC requested RSM to assess the commissioning aspect of the PCC's budget and in particular RSM assessed the following: a) To both assess, test and coach selected individuals within the OPCC in key commissioning skills with a view to understanding what capability and skill was pre-existing; and b) To build a commissioning framework and systems for tracking spend against objectives which clearly aligned intelligence, evidence and decision making. | RSM put on site individual and group training workshops and sessions with selected OPCC staff and set discrete tasks to help them build a commissioning framework. This framework was largely built by RSM, but with regularly engagement with senior OPCC staff, and the final output was a commissioning manual, explaining the process, providing a wide selection of tools and resources to use, an interactive commissioning tracker (spreadsheet based), and a programme of actions needed to make the transition to the new commissioning model. |

4.2 Other matters

Compliance with Public Sector Internal Audit Standards:

It is a requirement of our contract with the PCC 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, completed by the IIA, 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." The IIA further concluded that "RSM was found to have an excellent level of conformance with the IIA's professional standards".

Emergency Services sector update – December 2016

Since the last meeting Joint Independent Audit Committee meeting we have also issued the December 2016 quarterly Emergency Services client briefing and a further publication will be issued in March 2017:

Police

Spending review and autumn statement

Despite the rumours of cuts, the Chancellor has confirmed in the budget statement and spending review that police force spending will be protected in real terms with a further boost being delivered through investment in 4g communication networks. This is forecast by the government to save the taxpayer up to £1m per day by freeing up police officer time and improving efficiency. The Chancellor has also confirmed that police forces are to continue to make efficiency savings, particularly through collaborations, shared services and sharing resources. In addition, greater flexibilities will be given to PCCs to increase their income from council tax. Those police forces with the lowest levels of council tax bills will be able to increase their income from council tax by £5, rather than two per cent as is currently the case. This may allow an additional income of £12m each year.

Report into firearms licensing

This inspection report by Her Majesty's Inspectorate of Constabulary (HMIC) looks into the process of firearms licensing detailing the effectiveness, efficiency and risk of the licensing procedure. Some of the key findings in the report are: HMIC is concerned that only four out of the 11 forces it studied had effective monitoring and auditing arrangements; that many forces have backlogs in renewals; and the lack of requirement for general practitioners to provide to the police, medical information about licence holders and applicants. HMIC praises forces for their policies of unannounced visits and also supported forces that had implemented systems to alert officers responding to calls related to people with a firearm licence.

Police funding - special grant guidance

This guidance note by the Home Office details how commissioners can apply for special funding should they be forced to deal with an event that raises expenditure. In the guidance the Home Office confirms its right to refuse applications which in the first instance, will only be considered if sent by the police and crime commissioner. The Home Office also states that forces are required to demonstrate financial governance upon inspection.

Police efficiency report 2015

Her Majesty's Inspectorate of Constabulary (HMIC) has published the annual review of police efficiency. The report notes a decline in police forces attaining a 'good' rating with more now receiving a 'requires improvement' marker. HMIC finds that the better forces are now looking to longer term improvement and change processes in order to reduce their costs. The inspectorate has called on all forces to better understand demand, particularly future demand, whilst also expressing concern at various forces ICT infrastructure which is considered to be 'weak' and 'ageing'.

Access to the police complaints service system

The Independent Police Complaints Commission (IPCC) has published the outcomes its investigation, repeating an audit of police force websites originally completed in 2010. The IPCC find that the service has improved but only 'marginally' with access quality varying across forces, with 11 forces in fact being classed less accessible. The IPCC also expressed concerns at how complaints were being dealt with differently between forces. Amongst the suggestions put forward by the IPCC include forces increasing their use of social media to explain how the complaints system works. The IPCC also includes a framework for forces to utilise and which is designed to improve access for all.

Delay to the policing funding formula

In July the government consulted on proposed changes to the policing funding formula. Since the completion of the consultation exercise in September, it has been confirmed that a statistical error was made meaning that funding formula changes proposed for 2016-17 will be delayed. Police Minister Mike Penning confirmed this outcome to parliament on the 9 November 2015, noting the issue 'caused great concern to police forces around this country'.

Fire

Funding reductions on the fire and rescue services

The National Audit Office (NAO) has published two reports analysing how fire and rescue services have coped with funding cuts and how well providers are organised for future cuts expected in the governments autumn spending review. The twin reports by NAO find that fire and rescue services are coping well with funding impacts and that financial reserves have increased, but the NAO warns there are signs that with further funding reductions some forces capability of handling major incidents will be affected.

National coordination and advisory framework for England

The Department for Communities and Local Government (DCLG) has released an updated framework for Fire and Rescue services. The updated framework is designed to provide a 'robust and flexible' response for services dealing with major incidents. DCLG stresses that the frameworks effectiveness is reliant on each authority deploying when needed.

We have also issued the following briefing which is appended to the bottom of this report:

Gender Pay Gap Reporting

4.3 Key performance indicators (KPIs)

| Delivery | | | Quality | | |
|--|---------|---|--|----------------|----------------------|
| | Target | Actual | | Target | Actual |
| Audits commenced in line with original timescales | Yes | No ¹ | 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 |
| Management responses received within three days of draft report | 3 days | One day (average) | % of staff with CCAB/CMIIA qualifications | >50% | 83% ytd |
| | | | Turnover rate of staff | <10% | No turnover of staff |
| Audit reports presented to agreed Joint Audit Committee meetings | Yes | No ¹ | Response time for all general enquiries for assistance | 2 working days | 2 working days |
| % of High & Medium recommendations followed up | 100% | Audit planned for week commencing 6 th February 2017 | Response for emergencies and potential fraud | 1 working days | N/A |

Notes

¹ Data Quality (including elements of Data Security and MoPI), HR Management: Overtime - TOIL and RDIL and Health and Safety audits have not been reported as per the timescales detailed in the internal audit plan.

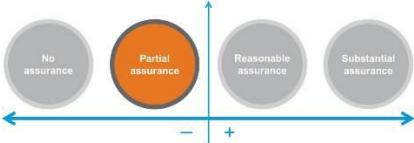
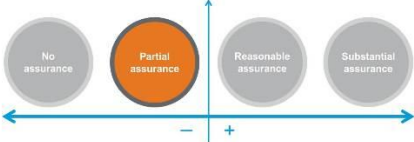
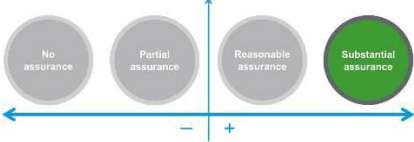
The Follow of Previous Internal Audit Recommendations has been rearranged to week commencing 6th February 2017 to allow for management actions from the partial assurance reviews to be followed up.

The Force requested the Estate Management – Lockers audit to be deferred until October 2016. This was reported to the Joint Audit Committee at the June meeting.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Joint Audit Committee and included for information purposes only:

| Assignment | Opinion issued | Actions agreed | | |
|---|--|----------------|---|---|
| | | H | M | L |
| Seized Cash Spot Check – Middlesbrough and Stockton | No opinion provided | 0 | 2 | 0 |
| HR Management - Overtime: Time Off In Lieu (TOIL) and Rest Days In Lieu (RDIL) |  | 0 | 2 | 0 |
| Health and Safety |  | 0 | 3 | 1 |
| Stockholding |  | 0 | 4 | 1 |
| Data Quality (including elements of Data Security and MoPI) |  | 0 | 0 | 1 |
| Firearms/Taser Service Records |  | 2 | 3 | 0 |
| Collaborations – CDSOU and Fingerprint Bureau |  | 1 | 4 | 1 |
| IT Mobile Data |  | 3 | 2 | 0 |

| Assignment | Opinion issued | Actions agreed | | |
|--|---|----------------|---|---|
| | | H | M | L |
| Grants |  | 2 | 5 | 1 |
| Estate Management – Lockers |  | 1 | 2 | 0 |
| Key Financial Systems: Creditors, Debtors and Fixed Assets |  | 0 | 0 | 2 |

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GENDER PAY GAP REPORTING

New regulations planned to be effective by 6 April 2017 will require employers with 250 or more relevant employees in an individual entity on a snapshot date each year to publish within 12 months details of their employees' gender pay and bonus differentials.

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 will apply to private and voluntary sector organisations. The Equality Act (Specific Duties and Public Authorities) Regulations 2017 are planned to be effective from 31 March 2017 and will apply to English public authority employers. The public sector reporting model is very similar to the private sector one.

What is the gender pay gap in the UK workforce?

Men's average pay is greater than that for women. The Office for National Statistics says that over the last 20 years the median gender pay gap has narrowed from 27.5 per cent to 9.4 per cent for full-time employees.

What are employers affected required to do?

To publish annually for employees in scope a report on:

- overall gender pay gap figures calculated using both the mean and median average hourly pay between genders;
- the numbers of male and female employees in each of four pay bands (quartiles), based on the employer's overall pay range; and
- for a 12 month period, both the difference between male and female's mean and median bonus pay and the proportion of relevant male and female employees who received a bonus.

An explanatory narrative, although not required, is strongly encouraged as is a statement of the actions planned to narrow the gaps.

The annual cycle of gender pay gap reporting



What are the timescales?

A snapshot of employees' pay for private and voluntary sector organisations must be taken on 5 April 2017 and on 5 April in each subsequent year and for public sector bodies on 31 March 2017 and on 31 March in each following year.

The first gender pay private and voluntary sector reports must be published both on the employer's own website and uploaded to a government website no later than 4 April 2018, to include hourly pay rates at 5 April 2017 and bonus payments between 6 April 2016 and 5 April 2017. The data must remain on the employer's website for three years.

Dry runs of data should be prepared now to ensure that any gaps are identified prior to the snapshot date/reporting period closing.

How can RSM help?

RSM has experts in payroll, HR consultancy and legal employment advice to support you in meeting both the requirements and the business opportunities of gender pay gap reporting.

Our services include:

We can analyse your data to determine relevance and to identify and assist in resolving any areas of uncertainty. This can include:

- status and relevance of employees including those working overseas;
- consideration of whether and what data is readily available; and
- analysis of the reportable elements of remuneration packages.

Calculations and narrative

RSM will work with you to collate your data on the required snapshot date to:

- prepare and process all reportable calculations;
- provide the calculations to you in a template statement which can be approved and published;
- guide on the voluntary narrative to support your results and to demonstrate accuracy of data; and
- make initial recommendations on publication dates and ensure that you receive an annual reminder.

Consultancy

RSM can review and analyse your results to create supporting action plans which may include:

- a review of current pay practices and audit of bonus schemes across your organisation;
- identification of skills shortages – recruitment process review;
- facilitation of analysis discussion identifying areas of risk and exposure; and
- formulation of communications plan and benchmarking data (industry/geographic/function) to provide context.

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