POLICE AND CRIME COMMISSIONER FOR CLEVELAND AND CHIEF CONSTABLE OF CLEVELAND

Internal Audit Progress Report

Joint Audit Committee presented to:

23rd June 2016

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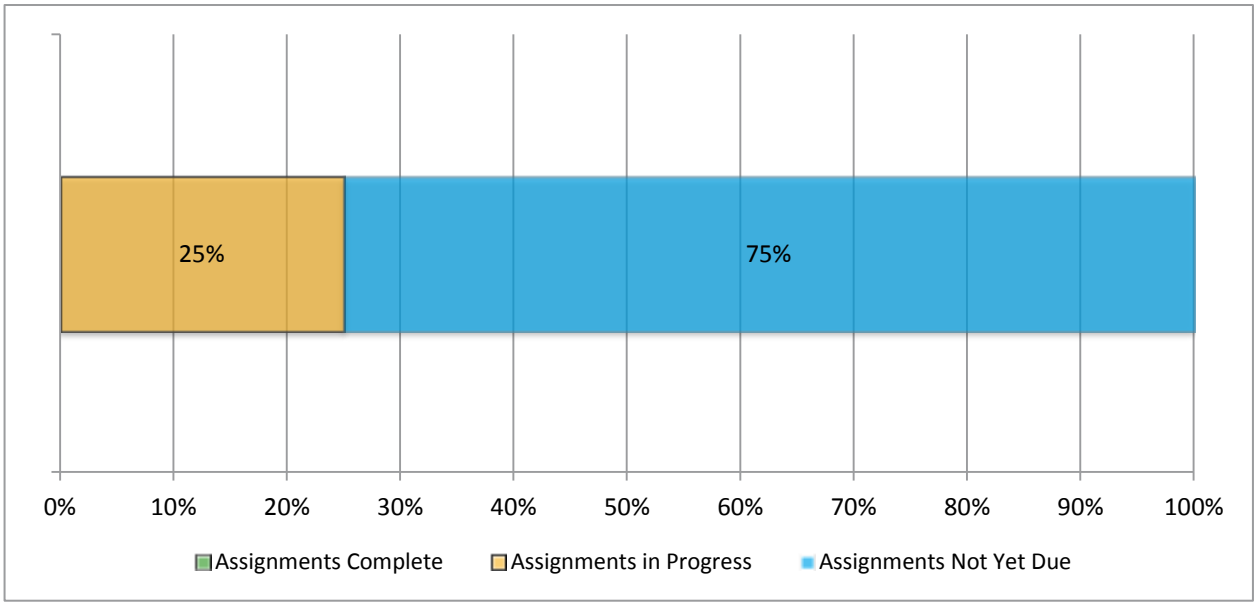
1 INTRODUCTION

This progress report covers the 2015/16 and 2016/17 internal audit plans. The 2015/16 plan has been fully delivered and an update is provided below. The internal audit plan for 2016/17 was approved by the Joint Audit Committee on 24th March 2016. The table below provides a summary update on progress against that plan.



2 REPORTS CONSIDERED AT THIS JOINT AUDIT COMMITTEE

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

The Internal Audit Plan for 2015/16 was approved by the Joint Audit Committee in March 2015. The table below provides a summary update on progress against that plan and section 2.1 summarises the results of our work completed since the last Joint Audit Committee. We have finalised three reports since the previous audit committee which completes our 2015/16 plan.

Appendix A also details of the full history of the audits completed in 2015/16.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Corporate Governance Framework	Final	Advisory	Three uncateogirsed management actions raised.		
Fraud Response Plan	Final	Advisory	Review of the organisation's Fraud Response Plan. No formal report produced.		
Quarter 4 Spot Checks – Cash and Property	Final	N/A	-	1	-

2.1 Impact of findings to date

Our **Quarterly 4 Spot Checks – Cash** audit established that there were a number of well-designed controls in relation to the handling of cash, and testing confirmed that overall controls were correctly and consistently applied overall.

As part of the quarterly visit undertaken we reported one 'medium' priority finding in relation to:

- The manual safe records are maintained, held in the safe at all times and accurately reflect IRIS. Redcar and Cleveland Headquarters will ensure that cash items held in the safe are recorded accurately.

Our final reviews of 2015/16, focussed on the organisation's **Corporate Governance Framework** and **Fraud Response Plan.** Both audits were advisory in nature and resulted in three uncategorised actions being raised for the Force's Corporate Governance Framework. Our Fraud Consultants reviewed the organisation's **Fraud Response Plan** and provided annotation on areas for improvement. No significant issues were identified in either of these reviews that will impact our annual opinion.

3 LOOKING AHEAD 2016/17

Assignment area	Timing	Status	Target Joint Audit Committee per the IA Plan 2016/17
Data Quality (including Data Security and MOPI)	Week commencing 27th June	Planning document issued and on-site work booked to take place	June 2016
HR Management – Overtime – TOIL & RDIL	Week commencing 23rd May	Draft	June 2016
Health and Safety	Week commencing 31st May	Draft	June 2016
Cash Spot Check	Week commencing 31st May	Draft	September 2016
Stockholding	Week commencing 20th June	Planneing document issued	September 2016
Collaboration	Week commencing 25th July	-	September 2016
Firearms/Taser Service Records	Week commencing 25th July	Planning document issued	December 2016
Firearms/Taser Service Records	Week commencing 25th July	Planning document issued	December 2016
IT Mobile Data	Week commencing 8th August	-	December 2016
Estate Management – Lockers	Week commencing 3rd October	-	September 2016
Financial Management, Reporting and Controls	Week commencing 17th October	-	December 2016
Commissioning	Week commencing 26th September	-	December 2016
Complaints	Week commencing 17th October	-	March 2017
Cash Spot Check	Week commencing 16th January	-	March 2017
Follow Up of Previous Internal Audit Recommendations	Week commencing 9th January	-	March 2017
Victim Referral Services	Week commencing 9th January	-	March 2017
Annual Governance Assurance Statement	Week commencing 9th January	-	June 2017

4 OTHER MATTERS

4.1 Changes to the audit plan

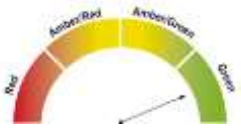
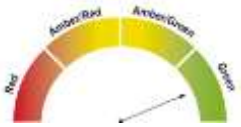
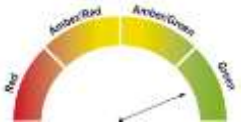
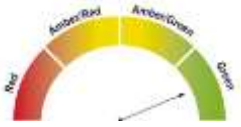
Auditable area	Reason for change
Estates Management – Lockers	The commencement date of this audit has been agreed for October 2016. The report to the Joint Audit Committee was originally scheduled for September 2016, however, due to the retirement of Chief Superintendent responsible for this area, our work has been scheduled to reflect the appointment of a new Chief Superintendent. This report will therefore now be presented at a later JAC meeting.

We have agreed the dates above for all fieldwork to be undertaken. All other audit work will be completed in the quarter detailed in our Internal Audit Plan or presented to the quarter per the audit plan. However, some of these reports will be presented to the subsequent Joint Audit Committee meetings.

The dates and timings of all reviews have been agreed with the Chief Finance Officer of the Force and Police and Crime Commissioner (or their representatives).

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE 2015/16

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

Assignment	Opinion issued	Actions agreed		
		L	M	H
Quarter 1 Spot Checks – Cash and Property (1.15/16)	N/A	1	2	0
Proceeds of Crime (2.15/16)		0	0	0
Collaborations – Force (4.15/16)		0	1	0
Grants (5.15/16)		0	4	1
Cyber Crime – Governance (6.15/16)		0	1	3
Collaborations – Evolve and Shared CFO Arrangements (3.2015/16)		1	2	0
Quarter 2 Spot Checks – Cash and Property (7.2015/16)	N/A	1	2	1
Key Financial Controls (8.2015/16)		3	0	0
Risk Maturity (9.2015/16)	Advisory	One uncategorised management action		
Quarter 3 Spot Checks – Cash (10.2015/16)	N/A	0	0	0
Integrated Offender Management (11.2015/16)		2	0	0

Assignment	Opinion issued	Actions agreed		
		L	M	H
Human Resources – Training (12.2015/16)		1	2	0
Follow Up (13.2015/16)	Good Progress	0	1	0
Victim Referral Services (14.2015/16)		1	3	2
Payroll and Expenses (15.2015/16)		2	0	0

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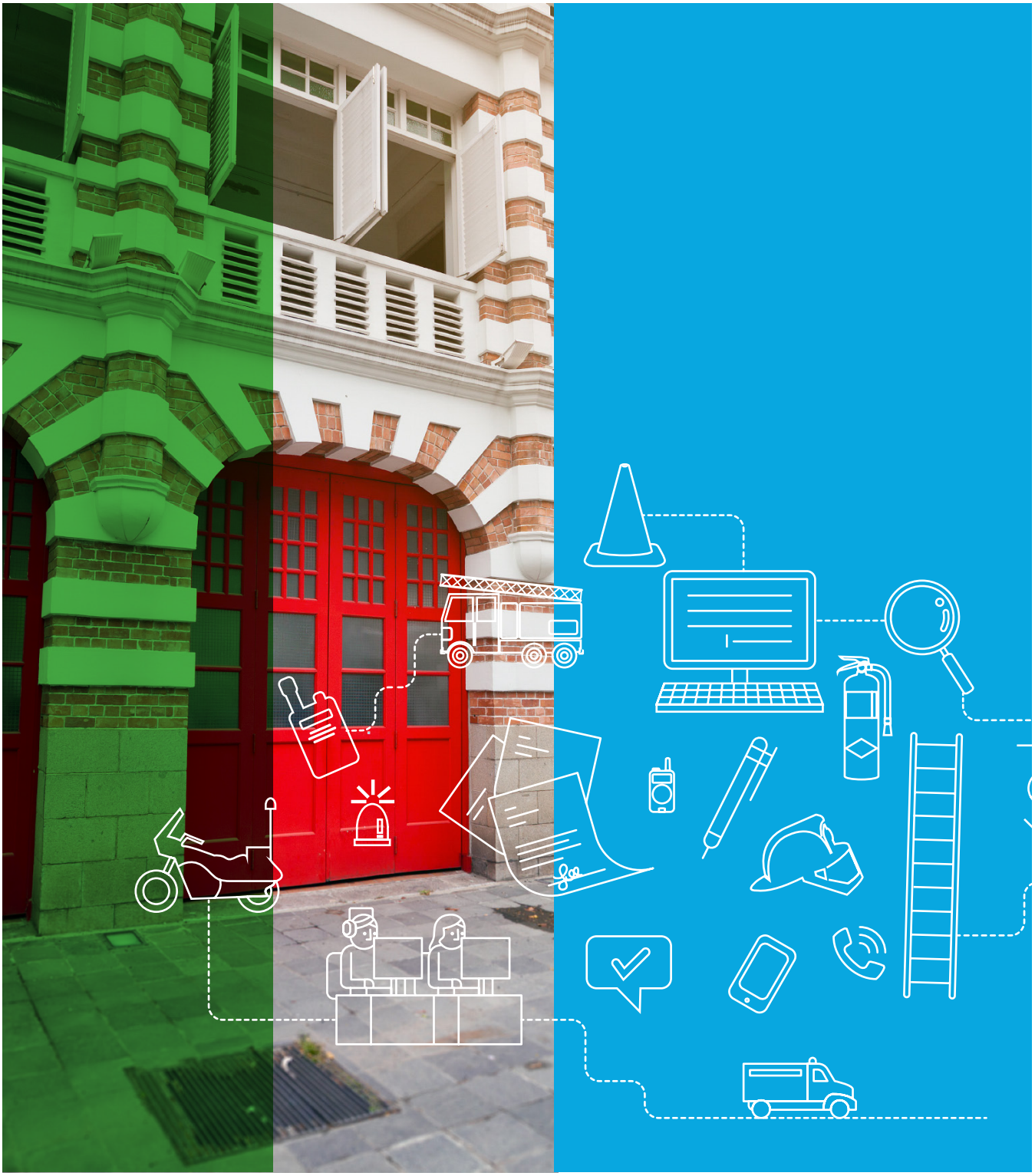

EMERGENCY SERVICES SECTOR UPDATE

May 2016

THE POWER OF BEING UNDERSTOOD
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RSM

Welcome to RSM's latest emergency services sector briefing which provides a useful source of insight into recent developments and publications affecting the sector.

To newly elected Police and Crime Commissioners (PCCs) welcome, we wish you a successful term in office. As the policing and crime bill makes its way through parliament, as we know, the role and remit of the PCC has the potential to become far wider, and the need for effective public engagement will continue to grow. While police forces and fire and rescue services may still be considering the implications of the bill and how further collaboration, to achieve greater efficiency or effectiveness, may be enabled, we do know that the Independent Police Complaints Commission will change.

Funding is a theme that runs through both the police and fire and rescue sectors. There is the potential for further efficiency savings required in 2019–20, following Budget announcements, while PCCs and forces are uncertain what police funding will be after 2016–17 as a result of the stalled funding formula review and the House of Commons Public Accounts Committee has warned of the risks posed in relation to the future sustainability of fire and rescue services in light of further funding cuts. Police forces, PCCs and fire and rescue services need to actively manage these risks and ensure effective financial planning in light of uncertainties.

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BUDGET 2016

The chancellor's latest Budget delivered little in the way of actual policy announcements for the emergency services; however, delving deeper into the detail suggests there may be possible funding changes in future years.

The chancellor announced:

> "A further £3.5 billion of savings from public spending in 2019–20, in line with continuing action to ensure maximum efficiency from every pound of public spending."

The details surrounding this cut are limited as the final decision is not due until 2018 following a 'departmental efficiency review', which will be carried out by ministers for the Cabinet Office and the Treasury. Despite this uncertainty there is a real possibility that elements of these savings will fall on the Home Office, particularly as other departments responsible for health, education and defence are already protected from any further efficiency savings and it is unlikely that such departmental budgets will be reduced so close to a general election.

The chancellor also announced changes to the discount rate for public service scheme pensions which will take effect from 2019–20 onwards. The chancellor stated the Government will:

> "Ensure that the cost of providing public sector pensions in the future is fairly reflected in the contributions made by employers, by reducing the public service pension scheme discount rate."

This means that employers will have to increase their contributions, which according to the Office for Budget Responsibility will not be compensated for, with employers having to find the extra contributions within their existing spending limits.

Naturally this has drawn criticism from several bodies including the union for senior civil servants, the FDA, whose General Secretary Dave Penman spoke of the changes as being 'a political con trick that can only further damage public services', while the Nuffield Trust states the changes 'implies an extra cost'. The chancellor however reasoned that the plans would be affordable, and that spending plans are benefitting from 'the fiscal windfall of lower inflation'.

Questions for Committee's consideration

- What assumptions and scenario planning have been included within medium term financial plans?
- Given the above, what does this mean for your specific medium term financial plans?
- What assurances or information have you been provided with to be content that your organisation(s) have robust plans in place to manage the savings?

POLICE

Commissioners 'here to stay'

The House of Commons Home Affairs Committee (the committee) has published the report of its inquiry into the work of Police and Crime Commissioners (PCCs).

The committee's report follows an earlier inquiry in April 2014, which concluded that it was too early to judge whether the introduction of PCCs had been a success. Now, as the first four year term of PCCs ends, the committee concludes PCCs are 'here to stay'. The latest report details the committee's findings on: police funding and effectiveness and the PCCs role in promoting effective policing; public engagement; the relationship between PCCs and chief constables; police and crime panels; and the future role of PCCs.

The committee highlighted concerns over the Government's decision to postpone its planned funding formula reform which stalled last year following errors in the Home Office's calculations. The committee calls upon the Government to recommence its funding formula review 'as a matter of urgency' as the uncertainty regarding funding after 2016–17 continues and impacts upon the ability of PCCs to effectively plan their forces' budgets.

Other concerns and recommendations the committee highlighted were: some PCCs were not collaborating enough with their chief officers and that a priority for new PCCs should be to collectively improve policing; a lack of transparency as the financial accounts of the PCC office are not currently compiled in a format which enables comparisons to be made; and that there should be additional meetings between police and crime panels and PCCs.

Public engagement is important for PCCs and for some PCCs this has been a core priority during their first four year term. The committee states that it would 'like to see all PCCs elected in May putting the highest priority on engaging with their electorates to ensure that the increased public accountability which PCCs represent continues to be strengthened'. The additional responsibilities of PCCs (for example where PCCs will have the power to take on the duties and functions of fire and rescue authorities) as a result of the policing and crime bill will also need to be carefully managed. The committee has welcomed the provision within the policing and crime bill which will require PCCs to respond to Her Majesty's Inspectorate of Constabulary (HMIC) reports and recommendations by no later than 56 days.

Questions for Committee's consideration

- Do you know the impact of the potential funding formula changes on your organisation and how are you keeping up to date with the changes?
- Are you actively considering and exploring potential collaborations with other forces and fire and rescue authorities?
- Are additional meetings of the police and crime panels and PCCs being held or planned?

Modern crime prevention strategy

The Home Office has unveiled its new 'modern crime prevention strategy'. The strategy comes as the Government attempts to react to the changing nature of crime, as instances of 'traditional' crimes such as burglary continue their downward trend and more sophisticated crimes like online fraud continue to increase in frequency. The strategy focuses on what is believed to be the six 'key drivers of crime': opportunity; character; the effectiveness of the criminal justice system; profit; drugs; and alcohol. The strategy includes many proposals designed to make crime less appealing and harder to accomplish and is based on the principal of early intervention to prevent crime occurring in the first place. The Home Office places much emphasis on the implementation of an effective data and technology strategy to prevent crime with the use of features such as geolocation and raising

awareness of personal device security. The Home Office proposes an inclusive strategy to crime prevention which includes law enforcement, the Government, local authorities, businesses and the public coming together to tackle technology related crimes.

Investigatory powers bill

The Government has begun the parliamentary process for the 'investigatory powers bill'; proposed new legislation that will change the legal framework governing the powers of the intelligence services and law enforcement agencies intercepting and analysing communications. A briefing published by the House of Commons Library splits the bill down into nine parts including: general privacy protections; lawful interception of communications; authorisations required for obtaining communications data; and bulk warrants. There has been criticism of the bill as it has been interpreted as a reworked version of the failed so-called 'snoopers charter' in 2012, whilst the Intelligence and Security Committee of Parliament called the bill a 'missed opportunity' and advised the Government to remove some of the more divisive elements of the bill such as the interception of bulk personal datasets.

Reforming the police complaints and disciplinary systems

The Home Office has published a summary of responses and its next steps following a consultation on reforming the Independent Police Complaints Commission (IPCC). The policing and crime bill will allow the existing IPCC to 'enhance its effectiveness with reforms to increase the independence of its operations and its powers'.

The following are some of the key proposals that have been taken forward in the Government's policing and crime bill.

- To ensure enhanced clarity around decision making, the IPCC will have a single head known as the Director General (DG) who will have ultimate responsibility for investigation and will ensure greater accountability.
- The Home Office will continue to be the sponsor department, although the DG will be independent of Government.
- The DG will not have previously worked for the police in any capacity.
- Restrictions will apply to previous police employees working in the reformed organisation.
- The IPCC will be renamed as the Office for Police Conduct.

FIRE

Action needed to improve oversight

The House of Commons Public Accounts Committee (PAC) has warned of the risks posed in relation to the future sustainability of fire and rescue services in light of further funding cuts.

The PAC's report 'Financial sustainability of fire and rescue services', questions the 'understanding' the Department for Communities and Local Government had of the capacity of fire and rescue services to cope with further Government funding reductions. With services now under the remit of the Home Office one may question whether this understanding is likely to improve, particularly as the PAC states that central government as a whole 'does not have a strong understanding of the potential impacts of future funding reductions'. The PAC has asked the Home Office to provide information, by summer 2016, on how it plans to improve its knowledge of this area.

Collaboration is also discussed by the PAC, with the committee stating there is 'no clear plan' centrally about the feasibility of mergers. The PAC demands that central government provide solutions to barriers to merger that include varying council tax rates of different authorities. The PAC calls on the Home Office to provide support and options to fire and rescue authorities that are planning to merge, rather than 'waiting for forced mergers' because of financial failure. The PAC goes on to state that 'it is not clear that mergers are necessarily the best option'.

While the Department for Communities and Local Government made it clear that fire and police collaboration did not infer fully merged services, rather 'aligning overall oversight', the PAC states that the Home Office has a responsibility to communicate whether this remains the position and therefore, what this actually means in practice.

The PAC also places a demand for more effective inspection and oversight of fire and rescue authorities in England. There is criticism at the lack of an independent inspectorate, and that subsequent scrutiny is inconsistent. According to the PAC, the Home Office should publish a plan that shows a coherent approach to external security across the sector.

Questions for Committee's consideration

- Have you considered the potential collaborations with other fire and rescue authorities in addition to potential collaborations outside of the sector, for example police or local government?
- Where joint working and collaboration is already in place or planned, are you receiving adequate assurances that the collaboration(s) are delivering the anticipated benefits? For example, are appropriate governance, risk management and performance frameworks and reporting arrangements in place?

New operational guidance

The National Operational Guidance Programme for UK fire and rescue services has published new guidance in the following areas as of 12 April 2016:

- wildfires;
- hazardous materials;
- fires in buildings under construction or demolition;
- fires in waste sites (including renewable energy facilities); and
- transport.

Questions for Committee's consideration

- Have your policies and procedures been reviewed to ensure alignment to the new guidance?

Minor amendments to firefighters' pension scheme

The Home Office has held a statutory consultation on proposals including: changes to survivors' benefits arrangements in the 1992 scheme and the compensation scheme; and changes to the 2015 scheme. A response from the Government will come within three months of the closing date of the consultation. The consultation concluded on the 13 May 2016.

RSM's fire service risk register analysis

We are increasingly being asked for comparative data in relation to the types of risk to which fire authorities and services are exposed. These organisations in particular are keen to understand, 'how do we compare?' and 'are we missing any significant risks?' We have therefore undertaken an analysis of the corporate risk registers across a number of fire authorities to identify key risk themes.

Our paper provides information to help fire authorities, audit committees and fire services review and challenge their own risk profiles and to help with ongoing risk identification and horizon scanning. Please visit the RSM website (rsmuk.com) to access the report.

Questions for Committee's consideration

- Have you compared the findings of the risk register analysis with your risk registers and investigated any differences?

SOURCES OF FURTHER INFORMATION

'Budget 2016' — HM Treasury
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf

'Public Service Pensions — employer contributions' — House of Commons Library
http://researchbriefings.files.parliament.uk/documents/CBP-7539/CBP-7539.pdf

'Police and Crime Commissioners: here to stay' — Home Affairs Committee
http://www.publications.parliament.uk/pa/cm201516/cmselect/cmhaff/844/84402.htm

'Modern Crime Prevention Strategy' — Home Office
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509831/6.1770_Modern_Crime_Prevention_Strategy_final_WEB_version.pdf

'Investigatory Powers Bill' — House of Commons Library
http://researchbriefings.files.parliament.uk/documents/CBP-7518/CBP-7518.pdf

Press release — Intelligence and Security Committee of Parliament
http://isc.independent.gov.uk/news-archive/9february2016

'Reforming the Independent Police Complaints Commission: structure and governance' — Home Office
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/505839/20160307-IPCC_Governance_ConRep-v4.0-UK_O.pdf

'Financial sustainability of fire and rescue services' — Committee of Public Accounts
http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/news-parliament-2015/financial-sustainability-fire-and-rescue-services-report-published-15-16/

Published guidance — National Operational Guidance Programme
http://www.ukfrs.com/guidance/published-guidance

'Firefighters' Pension Scheme' — Home Office
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508676/Consultation_document.pdf

'Fire service risk register analysis' — RSM
https://www.rsmuk.com/ideas-and-insights/fire-service-risk-register-analysis

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