



POLICE AND CRIME COMMISSIONER FOR CLEVELAND

Grants

FINAL

Internal Audit Report: 8.16/17

22 September 2016

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1 EXECUTIVE SUMMARY

1.1 Background

In support of the internal audit plan, an audit of grants was conducted. The objective of the audit was to ensure grants awarded are used in a clear, transparent and appropriate manner that contributes to the Police and Crime Commissioner's (PCC) Police and Crime Plan (the Plan).

The PCC for Cleveland has funds available to enable local people and organisations to access for one off and longer term grants that actively reduce crime and disorder and reduce the fear of crime. The Office of the Police and Crime Commissioner (OPCC) are responsible for the maintenance of grant records as well as tracking and reporting.

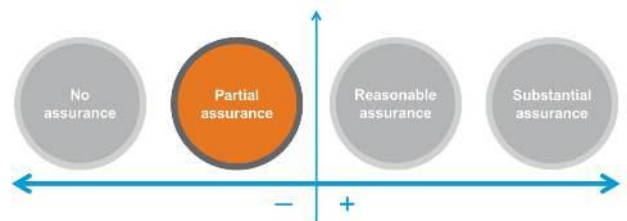
Following the previous grant audit in October 2015, the OPCC has in place a dedicated resource to manage all grants over the £10,000 threshold to ensure that grant monies are used in accordance with the agreements in place. Part of the newly created role of the Commissioned Services Support Officer will be to perform financial assessment checks on non-public bodies, perform audits on the recipients including the monitoring of key deliverables. This role will provide assurance to the PCC that grants are being used in accordance with the original proposal.

1.2 Conclusion

We have identified some areas of non-compliance with documented controls which have resulted in two 'high' priority management actions in relation to: the retention of signed grant agreements and reporting of key deliverables. We also identified a further five 'medium' and one 'low' priority management actions.

Internal Audit Opinion:

Taking account of the issues identified, the Police and Crime Commissioner for Cleveland can take **partial assurance** that the controls to manage this area are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified area.



1.3 Key findings

The key findings from this review are as follows:

- Testing of 10 grants identified the following:
 - In all 10 cases we found that there was an application form in place which had been completed by the recipient and signed.
 - In all 10 cases we found that the funds were linked directly to the PCC's objectives.

However, we identified the following gaps or weaknesses in the control framework:

- The maintenance of the bid tracker had not been updated on a regular basis to ensure that grantees were accountable for the grant monies they received. Furthermore, we found that the monitoring of the grant deliverables was not being undertaken.

- Our testing of 10 grants found that in two cases (£11,800 and £3,500) the decision forms had not been retained.
- Following the 2015 grants audit, it was agreed that the PCC would perform financial viability checks on non-public bodies who received significant grants. We note that this action had not been implemented at the time of our review.
- We found in one instance that a grant had been used to wholly supplement salary costs for one employee when this had not been detailed clearly in the application form.
- In two cases (£35,700 and £11,800) we could not find a fully signed agreement by the grantee and the PCC.
- We found discrepancies of insurance details at one of the sites visited.
- We found that the PCC did not have a cyclical programme in place for auditing grantees in order to obtain assurance that the grants were being used in accordance with the grant particulars.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Grants	1 (11)	7 (11)	1	5	2
Total			1	5	2

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

1.5 Progress made with previous audit findings

Date of previous audit	Low	Medium	High
Number of actions agreed during previous audit	-	4	-
Number of actions implemented/ superseded	-	2	-
Actions not yet fully implemented:	-	2	-

As part of this review the Police and Crime Commissioner for Cleveland has demonstrated adequate progress in implementing actions agreed to address internal audit recommendations made during the grants audit undertaken in October 2015. We have only followed up the medium priority recommendations made in the previous review. Of the four “medium” priority recommendations we confirmed that two have been implemented in full. The recommendations still in progress relate to the OPCC undertaking financial assessment checks on prospective applicants and retention of evidence of grant awards.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Grants					
1	We found that organisations were not reporting their progress on projects following receipt of the grant.	High	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.	On-going	Jennifer Yates, Commissioned Services Support Services
2	We found two instances where the decision forms had not been retained, hence were not available for review at the time of the audit.	Medium	Re-iterated recommendation The OPCC will ensure that all decision forms are retained to document approval and made available on the PCC's website.	30 September 2016	Jennifer Yates, Commissioned Services Support Services

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
3	We found in two instances that grant agreements had not been signed and retained.	High	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.	30 October 2016	Amanda Wilkinson, Acting Strategic Contracts Manager
4	There were no financial assessment checks completed on prospective non-public body applicants to ensure that the entity was a going concern.	Medium	Re-iterated recommendation The OPCC will perform financial viability checks for non-public bodies which are awarded grants of over £10,000.	30 September 2016	Jennifer Yates, Commissioned Services Support Services
5	We found that the grant issued to Halo had been used to supplement salary costs.	Medium	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.	30 October 2016	Amanda Wilkinson, Acting Strategic Contracts Manager
6	We found that capital items were not defined within the grant agreement or any other relevant documentation.	Low	The OPCC will define and state within the grant agreement examples of capital items that must not be purchased.	30 September 2016	Amanda Wilkinson, Acting Strategic Contracts Manager
7	Checks undertaken at site visits found discrepancies of insurance details. Furthermore, we found that the OPCC did not perform pre-grant checks in this area.	Medium	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.	Immediate	Jennifer Yates, Commissioned Services Support Services
8	There was no process of ensuring that recipients of grants are using the grant accordingly and that progress on projects is fed back to the PCC.	Medium	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.	30 September 2016	Amanda Wilkinson, Acting Strategic Contracts Manager

3 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: Grants						
1	<p>Applicants apply for access to funds via an Application Form. The form is signed by the applicant and details how the project will meet the Police and Crime Commissioner's objectives in the Police and Crime Plan and the financial implications of the project.</p> <p>The application is recorded on the bid tracker spreadsheet.</p> <p>The grant recipients must complete a grant return form detailing key deliverables and progress with the project.</p> <p>Underspends are monitored and monies recovered where appropriate through the use of Grant Budget Return Forms which are submitted to the OPCC at mid-year and at year-end on how expenditure has been spent (both under £10,000 and over £10,000).</p> <p>The return is signed by the applicant to confirm the information has been spent in accordance with the Grant Agreement.</p>	Yes	No	<p>Testing of 10 grants identified the following:</p> <ul style="list-style-type: none"> In all 10 cases we found that there was an application form available for review and all requisite therein were included. In all 10 cases we found that the funds were linked directly to the PCC's objectives. <p>However, we found that on the bid tracker the information provided and maintained did not detail the following:</p> <ul style="list-style-type: none"> If the mid-year and 12 month return forms had been submitted. Key deliverables and performance reporting information. <p>We also noted through further testing that we could not find evidence of an interim and end of grant term report which listed the breakdown of the amounts spent and any successes and achievements for three organisations visited viz. Halo, Middlesbrough Football Club (MFC) Foundation and Hope North East (HNE).</p> <p>There is therefore currently a risk that key information on the use of the grants is not reported and documented within the bid tracker.</p>	High	<p>The Office of the Police and Crime Commissioner (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.</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
2	<p>All applicants are assessed by a panel comprising of the PCC, the Chief Finance Officer and Acting Strategic Contracts Manager based on a summary report of the application produced by the Planning and Development Officer.</p> <p>Approved projects are signed off by the PCC on a Decision Record Form.</p> <p>The bid tracker is updated, the applicant informed via a letter and the PCC's website updated.</p>	Yes	No	<p>Testing of 10 grants identified the following:</p> <ul style="list-style-type: none"> We found that in eight cases, a Decision Record Form was available for review and had been signed by the PCC. Furthermore, the applicant had been informed of the decision via a letter and the record form could be found on the PCC's website. We however found in two cases (MFC- £11,800 and HNE- £3,500) the decision forms had not been retained. <p>There is a risk that grants are approved with no clear audit trail available for review.</p>	Medium	<p>Re-iterated recommendation</p> <p>The OPCC will ensure that all decision forms are retained to document approval and made available on the PCC's website.</p>
3	<p>A Grant Agreement is in place for awards over £10,000 which is signed by the applicant and the PCC's office which details the objectives of the initial application.</p>	Yes	No	<p>Testing of five grant payments over £10,000 found the following:</p> <ul style="list-style-type: none"> In three cases there was an agreement in place which had been signed by the recipient and the PCC and the amount on the grant agreement reconciled to the original application. In one case (grant of £11,800) relating to MFC Foundation we could not find a signed agreement by either party. In another case (grant of £35,700) relating to Kids Konnect the agreement had not been signed by the recipient. <p>Discussions with the Acting Strategic Contracts Manager noted that grants under £10,000 currently did not require a grant agreement which meant that the projects under this threshold did not have a written agreement that ensures that the grant is spent appropriately.</p>	High	<p>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.</p> <p>Standard terms of conditions will be drafted for any grants issued to ensure compliance is imposed.</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				<p>Review of the bid tracker noted that Stockton Crime Prevention Charity had two applications approved which were both £5,000 each for 2015/16 however combined were £10,000. Under the current structure, the two activities did not require that an agreement to be in place.</p> <p>There is currently a risk that the agreements in place have not been signed which may lead to the PCC not being able to impose the conditions set within the agreements. Furthermore, there is a risk of reduced accountability due to the lack of grant agreement between recipients and the PCC for values under £10,000.</p>		
4	For non-public bodies that have been awarded a grant over £10,000 the Force will be mindful of financial viability checks.	Yes	No	Following our previous audit in 2015/16, we noted that the organisation had started doing financial viability checks on companies and charities on the charity commission website, however this had ceased and was due to be restarted going forward.	Medium	<p>Recommendation Re-iterated</p> <p>The OPCC will perform financial viability checks for non-public bodies which are awarded grants of over £10,000.</p>
5	The recipient has not used the grant for any activities other than the purpose detailed in the funding application.	Yes	No	<p>The Halo Project:</p> <p>The Halo Project was granted £15,000 for the period 1st October 2014 to 30th September 2015. This was for the provision of Honour Based Violence (HBV), Forced Marriage (FM) and Female Genital Mutilation (FGM).</p> <p>We noted that the grant amount had been paid in February 2015, a grant return form had been completed by Halo on 8th April 2015 stating that £13,000 had already been spent. The Grant Return Form had been vague as how the amount had been spent.</p> <p>Discussions with the Halo Director found that the organisation uses the grant fund to subsidise salary costs for a full time FM, HBV and FGM coordinator. We noted that this had not been stated explicitly within the</p>	Medium	<p>Halo Project The PCCO 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.</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				<p>application. This was against the grant particulars of not having the funds used to fund staffing costs.</p> <p>We obtained the contract of employment for the employee in the project and ascertained that they were employed by the project team. The staff member had a contract of £21,870 per annum of which £15,000 had been supplemented by the grant. This had not been stated as the reason for the grant within the agreement or the application. However we noted that there were other staff members who worked on the project however the details of their time spent and costs could not be evidenced.</p> <p>The Kicks Programme- MFC Foundation</p> <p>The foundation was granted £11,800 for the period September 2015 to August 2016.</p> <p>The foundations run projects to keep young people out of the streets; these include football, futsal, accreditation etc.</p> <p>The activities cover the following three areas:</p> <ol style="list-style-type: none"> 1. Neptune 2. Thorntree 3. Southlands Centre <p>Review of the foundation documentation, timesheets, management reports and salary information confirmed that the grant provided was used for the project as specified in the grant agreement.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Hope North East						
<p>A grant totalling £3,500 was given to teach a group of individuals to produce their own film about their own stories.</p> <p>We reviewed how the money was spent and identified the following:</p> <ul style="list-style-type: none"> • £2,800 was spent on delivering a 10 week film course • £700 on delivering extra film courses • £349 on Cineworld hire • £200 on shortened film version <p>This represented an overspend of £549 which was funded from the organisation's funds. In conclusion, we found the grant had been used in accordance with application form.</p> <p>There is a risk that the grant is used for staffing costs or other items disallowed by the grant agreement.</p>						
6	The funds provided under the grant agreement have not be used to purchase capital items.	Yes	No	<p>Discussions with the Acting Strategic Contract Manager noted that the OPCC had not defined within the grant agreement what a capital was (this includes equipment, furniture, cars, buildings, machines, fixtures).</p> <p>For the Halo and MFC, we confirmed that they did not use the grants to purchase any capital items. Most of the money spent was on salaries, accreditations and travel expenses.</p>	Low	The OPCC will define and state within the grant agreement examples of capital items that must not be purchased.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Hope North East (HNE)						
				<p>The grant provided to HNE was less than the £10,000 threshold for having a grant agreement hence we did not review if the amounts had been used for capital items. The purchases made were for the film course.</p> <p>There is currently a risk that the grant agreement does not detail examples of capital items which would result in recipients not understanding the terms of the grant.</p>		
7	The recipient has at all times during the grant term maintained public liability insurance with a limit of indemnity as specified in the grant particulars.	Yes	No	<p>In the case MFC Foundation we were able to confirm that the organisation had professional indemnity insurance, employers liability and public liability insurance in place.</p> <p>In relation to the Halo project we found that during the period of the grant they had public liability insurance and employers liability insurance however we noted that the organisation did not have any professional indemnity insurance as stated in the grant agreement.</p> <p>There is a risk that organisations do not comply with insurance grant specification.</p>	Medium	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
8	Missing Control There is a schedule of announced and unannounced visits to grant recipients to validate that monies have been spent as intended.	No	-	<p>Our findings have highlighted that the OPCC does not have a programme in place of ensuring that grants distributed have been used in accordance with the application. We noted that under section 22.1, the agreement require the recipient and the PCC to meet at the review intervals stated in the Grant Particulars in order to discuss the performance of the grant. We did not find evidence of this at the time of the audit.</p> <p>There is therefore currently a risk that funds given to recipients are not used appropriately.</p>	Medium	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.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objective of the area under review

To ensure grants awarded are used in a clear, transparent and appropriate manner that contribute to the Police and Crime Commissioner's Police and Crime Plan.

Areas for consideration:

The following areas were considered as part of this review:

- Application for Funds – Guidance Notes have been adhered to in the following areas:
 - A fully completed Funding Application Form was available for review.
 - The Decision Record Form had been approved by the PCC prior to the commencement of activity.
 - A Grant Agreement was in place and had been signed by both parties.
 - Grant returns had been made to the PCC's office in accordance with the requirements of the Grant Agreement.
- As part of the audit we have visited the premises of three organisations who have been award a grant to confirm evidence was available to support compliance with the following terms of the Grant Agreement:
 - The recipient had not used the grant for any activities other than the purpose detailed in the funding application.
 - Records of expenditure funded partly or wholly by the grant were retained.
 - The funds provided under the grant agreement had not been used to purchase capital items.
 - The recipient had set up formal procedures to require all such persons to declare any personal or financial interest in any matter concerning the recipient's activities.
 - Procurement procedures detailed in the grant agreement had been followed by the recipient.
 - The recipient had at all times during the grant term maintained public liability insurance with a limit of indemnity as specified in the grant particulars.
- Follow up of the previous internal audit management actions made as part on the grant review in 2015/16. We considered medium management actions raised.

Limitations to the scope of the audit assignment:

- We did not consider low management actions raised as part of the grant audit in 2015/16.
- Testing has been completed on a sample basis so we have not confirmed all aspects of the Grant Agreement particulars have been adhered to.
- We have not confirmed the Grant Agreement in place is appropriate.
- We visited three organisations as part of this review so have not confirmed all grant awards have been used in accordance with their Grant Agreement.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Amanda Wilkinson, Acting Strategic Contracts Manager
- Jennifer Yates, Commissioned Services Support Officer
- Yasmin Khan, Director Halo Project
- Andy Clay, Operations Manager MFC
- Dot Turton, CEO Hope North East

Documentation reviewed during the audit:

- Grant Agreement - Halo and Middlesbrough Football Club Foundation
- Bid tracker

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