THE POLICE AND CRIME COMMISSIONER FOR CLEVELAND

Commissioning

Internal audit report 5.20/21

FINAL

15 October 2020

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1. EXECUTIVE SUMMARY

As part of the approved audit plan for 2020/21 we have undertaken a review of commissioning conducted by the Police and Crime Commissioner for Cleveland. The current restrictions in place have meant that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to randomly sample test several commissioned services in line with the objectives of this internal audit.

Why we completed this audit

Police and crime commissioners are primarily responsible for the management of Home Office allocated police funding in their geographical area. They must ensure that this public funding is spent effectively confirming their spending decisions support the achievement of the priorities described in their Police and Crime Plan and support the efficient delivery of operational requirements in their area. In addition to this primary role they have received two other devolved responsibilities from central Government, namely the responsibility to fund community safety (funding contained within policing grant) devolved from the Home Office and the commissioning of victim services devolved from the Ministry of Justice (separate funding stream). The PCC can also provide funding via the Police Property Act Fund (PPAF) to local voluntary and community groups who are working for charitable purposes to improve the lives of people in the Cleveland Police area. The PPAF is created from the sale of recovered stolen goods or property where the owners are not known and cannot be traced.

The Office of the Police and Crime Commissioner for Cleveland has conducted a large amount of commissioning and issued numerous grant awards. For the purposes of this audit we have randomly selected ten commissioned/grant funded services / activities from different funding streams during the fiscal year 2019/20. These services are:

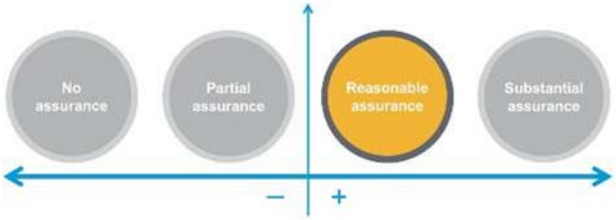
- Hartlepool Kicks;
- Detached Youth Outreach;
- Middlesbrough Mela;
- The Rifty Youth Project;
- Domestic Abuse Service funding for two local authorities;
- Domestic Abuse Control Worker;
- Halo Contract; and
- The Cleveland Police Cadet Programme.

Conclusion

Our work confirmed that there were adequately designed controls in place to test whether the commissioned areas audited would deliver the Police and Crime Plan priorities. The commissioning links to the Police and Crime Plan through funding application, grant award contracts and the performance requirements of contracts was consistent and of a high standard. The value for money elements were present with the exception of outcome data, most performance data was limited to outputs which do not fully show the impact of the service / activity. The commissioning areas for improvements have been acknowledged, resulting in the agreement of **three medium** priority management actions.

Internal audit opinion:

Taking account of the issues identified, the Police and Crime Commissioner for Cleveland can take **reasonable assurance** that the controls in place to manage this area 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.



Key findings

We identified the following exceptions with the Force's established control framework resulting in three medium priority actions:

The cost basis of each service was clearly evidenced, and the financial controls applied for the services and the performance against outputs was clear. However, additional focus needs to be placed on outcome-based performance management. This approach, if applied across all contracts, will better help to evidence value for money.

Some (but not all) of the commissioning staff have experience of this approach and have already identified this as a need and begun improvement activities. Appropriate outcome-based commissioning training should be provided to those staff who are not experienced in this method of performance management. This knowledge should then be embedded in the performance management of contracts. **(Medium)**

There was evidence of best practice in terms of setting targets for performance in the police cadet programme. Performance targets were not highlighted in any of the other contracts reviewed. The lack of performance targets could result in the objectives set in the Police and Crime Plan not being fully measurable and the impact of the service fully known. **(Medium)**

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:

- Commissioning undertaken adheres to the grant conditions set out by the Police and Crime Commissioner (PCC). Grant condition requirements are documented and include elements such as provision of insurance certificates, activity to be directly linked to strategic objectives, provision of financial information and performance management. Each contact was compared against the relevant grant agreement.

- There was evidence to show the clear links from commissioned services to the objectives in the Police and Crime Plan and the Commissioning Strategy. The requirement to show clear links to the Police and Crime Plan were requested of funding applicants and we are satisfied that the areas highlighted were appropriate.

- Year-end performance reviews for these commissioned services have been affected by Covid-19 with many services not currently running performance information. From the responses that had been received the Halo contract provided a template for robust performance management, with not only the providers report but also notes of the actions the PCC has requested the provider takes and any additional support the OPCC can provide. It is advised that this template is rolled out to all contracts.

- Decision making was clear and recorded in the decision record form and decisions were published on the PCC website for full transparency. Eight contracts were reviewed including each decision making form and the OPCC website.

- In the commissioning reviewed there were no areas of duplication in terms of commissioned services where cost saving could be applied.

2. DETAILED FINDINGS AND ACTIONS

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.

Risk: 1487				
Control	Commissioning undertaken by the OPCC adheres to the grant conditions set out by the PCC. There are clear links from the commissioned services to the objectives in the Police and Crime Plan and alignment with the Commissioning Strategy. The commissioned services performance is measured effectively and underperformance addressed.		**Assessment:** **Design** ✓ **Compliance** ×	
Findings / Implications	Performance reports were provided for all the contracts reviewed, there was however a lack of information regarding action taken on performance in some of the contracts. There is a risk that without recording performance actions that under-performance will not be addressed in a timely manner and that improvements to drive the quality of the provision will not be actioned to support the public of Cleveland. The template used for the Halo contract clearly evidenced action taken and the responsibilities for these actions. This approach will help manage risk and ensure that performance management can be conducted by any commissioning officer providing resilience during any absence. Setting targets for performance is commonly used in driving the value delivered from the contract. Targets were set in the Police Cadet Programme contract but were not present across all.			
Management Action 1	The template for performance management will be used in all funded contracts where performance management is required.	**Responsible Owner:** Strategic Contracts and Governance Manager	**Date:** With immediate effect any new contracts will have this element.	**Priority:** Medium
Management Action 2	Target setting, informed by the understanding of the contract, will be agreed between the OPCC and supplier and should be considered and included across all appropriate contracts. These targets should be linked to strategic policing and crime targets.	**Responsible Owner:** Strategic Contracts and Governance Manager	**Date:** With immediate effect any new contracts will have this element.	**Priority:** Medium

Risk: 1487 – Services are commissioned which deliver the Police and Crime Plan priorities and achieve value for money			
Control	The OPCC has the relevant information available to establish value for money from each contract (cost, quality, performance). Value for Money is evidenced through effective commissioning (pricing and scope) and effective performance management including the creation of stretching KPIs qualitative and quantitative and robust management against these KPIs.	**Assessment:** **Design** ✓ **Compliance** ×	
Findings / Implications	Consideration of effective commissioning was evidenced through the decision-making documents reviewed. Commissioner's ensured that the scope of the service would support the delivery of strategic objectives and that funds requested were discussed. There was evidence in the contracts that were reviewed where the full requested funds by the supplier were not provided as they did not meet the scope of the fund/grant. The performance elements of the contacts selected were reviewed, both for KPIs and ongoing management. Performance management is currently mainly output focused; some contracts contained a requirement to provide qualitative performance information, but this was not clearly linked to outcomes. The funding the OPCC provides enables the delivery of real outcomes that impact on the lives of the public of Cleveland. Capturing metrics that show progress against outcomes would provide the OPCC with a real evidence base of the work they are commissioning. There is a risk without qualitative information the OPCC is not able to evidence the quality of the service provided to clients and therefore is unable to evidence value for money. This could result in the OPCC not achieving their strategic objectives through effective commissioning.		
Management Action 3	Some (but not all) of the OPCC commissioning staff have experience of an outcome based approach. An appropriate outcome-based commissioning training should be provided to those staff who are not experienced in this method of performance management. This approach should be embedded in future commissioning activity.	**Responsible Owner:** Strategic Contracts and Governance Manager	**Date:** 31 March 2021	**Priority:** Medium

APPENDIX A: CATEGORISATION OF FINDINGS

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 following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective [1]		Non Compliance with controls [1]		Agreed management actions		
					Low	Medium	High
Risk Reference 1487	0	(8)	2 [2]	(8)	0	3	0
Total					**0**	**3**	**0**

[1] 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.

2 More than one management action has been raised against a control.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The internal audit assignment has been scoped to provide assurance on how the Police and Crime Commissioner for Cleveland manages the following risk:

Objective of the area under review	Risk relevant to the scope of the review	Source
Services are commissioned which deliver the Police and Crime Plan priorities and achieve value for money	Risk Reference: 1487	Risk Register

The following areas will be considered as part of the review:

Commissioning

- Understand whether the commissioning undertaken by the OPCC adhered to the grant conditions set out by the PCC.
- Establish whether there are clear links from the commissioned services to the objectives in the Police and Crime Plan and alignment with the commissioning strategy.
- Establish whether the commissioned service performance is measured effectively and underperformance addressed.

Value for Money

- Identify whether the OPCC has the relevant information available to establish value for money from each contract (cost, quality, performance).
- Ensure decision making processes are robust and transparent.
- Identify areas where the OPCC could potentially achieve better value for money i.e. duplicate commissioning in local areas.

The following limitations apply to the scope of our work:

- This audit will not seek to establish if the opinions of any staff interviewed is consistent with a whole organisation perspective.
- The audit will not reality test the opinions of the staff interviewed further than testing during subsequent staff interviews during the audit.
- We will not provide assurance on whether the services are providing value for money, or how value for money performance could be improved.
- We will not provide assurance on the effectiveness of the commissioned service or whether any service will deliver its objectives.
- This audit will focus on the information presented to us at the time of the review and will not identify if additional relevant information exists.
- Testing will be undertaken on a sample basis only.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	16 September 2020	**Internal audit Contacts**	Dan Harris, Head of Internal Audit
Draft report issued	6 October 2020		Angela Ward, Senior Manager
Responses received	15 October 2020		Philip Church, Client Manager
			Ellie Acton, Associate Director
Final report issued	15 October 2020	**Client sponsor**	Chief Finance Officer – Police and Crime Commissioner
		Distribution	Chief Finance Officer – Police and Crime Commissioner
			Strategic Contracts and Governance Manager

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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. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of **The Police and Crime Commissioner for Cleveland**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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