



Report to the PCC for Cleveland and the CC of Cleveland Police

30th September 2021

Annual Report of the Cleveland Joint Audit Committee

Cleveland Joint Audit Committee

Annual Report

FOREWARD

The Purpose of this report is to provide assurance that the Joint Audit Committee is satisfactorily undertaking its role and responsibilities to enhance public trust and confidence in the governance of the Office of the Police & Crime Commissioner (PCC) and Cleveland Police. It provides an overview of the areas of work considered by the Committee during 2020/21 and details the areas that the Committee thought worthy of mention. It provides the PCC and CC with the assurance that the Committee has fulfilled its terms of reference and demonstrates the added value that has been delivered by the Independent Committee to both the PCC and Chief Constable (CC) and also the wider public throughout 2020/21.

1. INTRODUCTION

- 1.1 This annual report of the Cleveland Joint Audit Committee covers the period 1 April 2020 to 31 March 2021.
- 1.2 The Cleveland Joint Committee was established in 2012, with a refresh in 2017, when all roles within the Committee were advertised and appointed to. The Committee has a wide range of responsibilities that are captured within the annually reviewable Terms of Reference. The Terms of Reference in place throughout 2020-21 are reproduced at Appendix A for information.
- 1.3 The table below details last year's Committee members. The Committee would like to place on record its thanks to the Officers of the PCC and CC, and both the internal and external auditors who have supported its work throughout the year.

Members of the Joint Audit Committee

Member	Role
Ann O'Hanlon	Chair
Stan Irwin	Vice Chair
Gill Rollings	Member
Andrew Prest	Member
Roman Pronyszyn	Member - resigned July 2020

- 1.4 Each Member of the Audit Committee has completed a Register of Interests form and has also signed up to a Code of Conduct based on the Seven Nolan Principles of Public Life.
- 1.5 Four meetings have been held during the 2020-21 financial year, all meetings have taken place via Teams given the pandemic and requirements put in around public contact and working from home. A pre-meeting with both the Internal and External auditors, without management, has also taken place via Teams.

2. EXTERNAL AUDIT

- 2.1 Mazars LLP have been the external auditors for the PCC Group throughout 2020/21.

Audit of the Statements of Accounts for 2019/20

- 2.2 The audit of the Statement of Accounts for 2019/20 resulted in an unqualified audit opinion. In the opinion of Mazars the financial statements:
- give a true and fair view of the financial position of the Police and Crime Commissioner for Cleveland and Group as at 31st March 2020 and of the Police and Crime Commissioner for Cleveland and Group's expenditure and income for the year then ended;
 - give a true and fair view of the financial position of the Chief Constable for Cleveland as at 31 March 2020 and of the Chief Constable for Cleveland's expenditure and income for the year then ended; and
 - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Annual Completion Report 2019/20

- 2.3 This was presented to the Committee by the external auditors in October 2020. The Report explained that the External Auditors were unable to complete their audit and issue their audit opinion on the financial statements until they received assurance from the pension fund auditor.
- 2.4 The Pension Fund auditor provided their letter to the Auditors on the 26th November 2020, but it raised issues that they were unable to resolve before the statutory timetable for audit completion of 30 November 2020, meaning that the issue of their final audit report was delayed.
- 2.5 In accordance with the Accounts and Audit Regulations 2015, notices were published to explain the delay in the receipt of audited financial statements. The issues raised in the Pension Fund auditor letter were subsequently resolved with the final audit report on the financial statements issued on the 8th December 2020.

Value for Money Conclusion 2019/20

- 2.6 As part of the Annual Completion Report the External Auditors are required to report on the arrangements for Value for Money. They are required to 'form a conclusion as to whether the PCC and CC have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion and sets out the criterion and sub-criteria that we are required to consider.'
- 2.7 The overall criterion is that, 'in all significant respects, the PCC and CC had proper arrangements to ensure [they] took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'
- 2.8 To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:
- Informed decision making
 - Sustainable resource deployment
 - Working with partners and other third parties

They went on to conclude that:

'In seeking to satisfy ourselves that the PCC and CC have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators.'

In September 2019, Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS) issued their latest Police Efficiency, Effectiveness and Legitimacy (PEEL) assessment in relation to Cleveland Police. The overall assessment from HMICFRS was that Cleveland Police's performance was inadequate and had declined considerably since the last assessment.

Key causes of concern were identified as prioritising crime prevention, protecting vulnerable people, understanding demand and strategic planning, community engagement, ethical behaviour and treatment of the workforce. As a result of the assessment, Cleveland Police have been placed into HMICFRS's national oversight process.

The CC has produced a 'Road to Improvement Plan' to address the findings from the HMICFRS Report, and actions have been prioritised to address the most pressing areas of concern first. However, the significance of the issues identified means that it will take time to secure the improvements needed, embed them into the normal ways of working within Cleveland Police and ensure that the changes are sustainable.

The findings of HMICFRS's reports relate to Cleveland Police Force, and are relevant to our consideration of the arrangements to achieve economy, efficiency and effectiveness of the CC. However, as it is a key role of the PCC to oversee the work of the CC and hold the CC to account for Cleveland Police's performance, these matters are equally applicable to our conclusion in relation to the PCC.

In our view, there are structures, procedures, policies and arrangements in place across all of the areas of our assessment, but the HMICFRS findings call into question the overall adequacy and effectiveness of these arrangements. One positive finding of HMICFRS was that "financial management is good"; this is an area of particular focus in our audit, and this view is consistent with our own. However, as the reported inadequacies are wide ranging and cut across many aspects of the criteria for the Value for Money conclusion, these matters are evidence of weaknesses in proper arrangements for taking informed decisions, securing sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities, and working with partners and other third parties.

Consequently, we are issuing an 'Adverse' qualification of the Value for Money conclusion.

3. INTERNAL AUDIT

- 3.1 The provider of PCC and CC's Internal Audit Service changed from the 1st April 2020 to RSM, who were appointed on a 3-year contract with the option to extend this contract for an additional 2 years.
- 3.2 The Audit Plan for 2020/21 was developed by carrying out an analysis of your risk registers (Police and Crime Commissioner, Chief Constable, and assurances provided by other providers e.g. HMICFRS. The plan was discussed with both Chief Finance Officers and the wider Force Executive.
- 3.3 The Joint Committee commented on, considered and endorsed the 2020/21-2022/23 internal audit strategy at its meeting in June 2020 which was the first meeting of the Committee following the award of the new contract.
- 3.4 During the course of the year, the Committee has closely monitored progress against the objectives and programme of work set out in the Internal Audit Plan for 2020/21.

Internal Audit reports

- 3.5 In recognition of the significant challenges that have been raised about the organization, management have significantly increased the scope and level of internal audit work to be undertaken as part of the new contract. The aim of which is to provide independent assurance or otherwise on key areas of risk and governance of the organization.
- 3.6 The audit work for the year to the 31 March 2021 involved 15 separate reviews which were assessed based on the level of assurance that the PCC and CC can take from the controls within the areas under review and how well they are being adhered to/implemented.

These assurance levels are as follows:

- **Substantial assurance:** Taking account of the issues identified, the Police and Crime Commissioner for Cleveland and / or the Chief Constable of Cleveland can take substantial assurance that the controls upon which the organisations relies to manage this risk are suitably designed, consistently applied and effective.
- **Reasonable assurance:** Taking account of the issues identified, the Police and Crime Commissioner for Cleveland and / or the Chief Constable of Cleveland can take reasonable assurance that the controls upon which the organisations relies to manage this risk are suitably designed, consistently applied and effective. 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.
- **Partial assurance:** Taking account of the issues identified, the Police and Crime Commissioner for Cleveland and / or the Chief Constable of Cleveland can take partial assurance that the controls upon which the organisations relies to manage this risk are suitably designed, consistently applied or effective. Action is needed to strengthen the control framework to manage the identified risk.
- **No assurance:** Taking account of the issues identified, the Police and Crime Commissioner for Cleveland and / or the Chief Constable of Cleveland cannot take assurance that the controls upon which the organisations 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.

- 3.7 Of the 15 audits that received assurances during the 2020/21 audit the assurance levels were as follows:

Assurance Level	No. of Audits
Substantial	5
Reasonable	7
Partial	2
None	1

- 3.8 These 15 audits generated 70 actions that were agreed by management. The actions are graded High, Medium or Low depending on the urgency and priority with which they need to be addressed. The 70 actions were split as follows:

- High – 6
- Medium – 39
- Low - 25

- 3.9 Those actions in respect of the Force are monitored via the Risk and Governance Board which meets bi-monthly and deals with the task of managing, monitoring and discharging recommendations arising from internal audit.

- 3.10 A monitoring report on the implementation of audit recommendations is submitted to the Committee every six months. The last report received, during the 2020/21 financial year, was in December 2020 and showed 25 outstanding recommendations, with one of these having been identified as complete by the Force and therefore awaited signed off by the auditors. Before that item is signed off, this leaves actions outstanding at the following levels:

- High/Urgent – 2
- Medium/Important – 16
- Low/Routine – 7

The Head of Audit's annual report

- 3.11 The Head of Audit's annual report was received by the Committee in June 2021 relating to the work carried out primarily in the financial year 2020/21. The report concluded that:

Office of the Cleveland Police and Crime Commissioner

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.

Cleveland Police

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3.12 HMICFRS

The governance and scrutiny arrangements associated with HMICFRS activity are the responsibility of the Inspection and Audit Monitoring Board, which is led by the Deputy Chief Constable, with routine progress monitoring of Causes of Concern, Areas for Improvement and recommendations delegated to the appropriate Delivery and Assurance Group.

- 3.13 An overview on all areas are brought to the Committee in a similar manner to the Internal Audit actions and the Committee continues to seek assurances around the timely implementation of all actions and the governance processes in place around this area.
- 3.14 The last report was received in December 2020 which showed the following:
- 21 causes of concern on the Force's register,
 - 141 recommendations
 - 29 Areas for Improvement
- 3.15 In March 2020, The PCC and CC received a limited assurance opinion from their previous internal audit provider in relation to the controls and processes around the tracking, reconciliation and oversight of HMICFRS actions.
- 3.16 Significant work has since been undertaken by the Force and Internal Audit were asked to undertake a review focussed on providing assurance that the Force has an appropriate framework in place for monitoring the implementation of causes of concerns, recommendations and AFIs and closures on the Monitoring Portal are supported by appropriate evidence.
- 3.17 The report concluded that '.... significant progress has been made in progressing and closing its recommendations, AFIs and causes of concern.' And that 'Taking account of the issues identified, the Police and Crime Commissioner for Cleveland and the Chief Constable of Cleveland can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.'

4. CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

- 4.1 The June 2020 meeting of the Committee considered both the PCC and CC's Annual Governance Statements; the Committee recommended that both the PCC and CC adopt the documents presented. The draft versions of both documents for 2020/21 were considered by the Committee in June 2021, feedback will be provided prior to the final version of the 2020/21 Statements being agreed alongside the final statement of accounts for the 2020/21 year.
- 4.2 In addition to the review of the Annual Governance Statements the Committee also receives and endorses any proposed changes to the Code of Corporate Governance. The Committee received proposed changes to the Code in February 2020, which reflected minor changes required to ensure that the code remains up to date.
- 4.3 Subsequent to this Members then received an updated set of Contract Standing Orders to reflect changes required from the exit from the European Union and the impact this has on the procurement rules and legislation.

5. RISK MANAGEMENT

- 5.1 The Committee has an important role in ensuring that both the PCC and CC has effective arrangements for the identification, assessment, mitigation, management and monitoring of risk.
- 5.2 During the year the Committee has considered the strategic risk registers of both the PCC and CC.
- 5.3 At the October meeting of the Committee the OPCC presented an updated and improved Risk Management Policy, taking on board the findings from an Internal Audit review of this area that was undertaken during 2020/21, as part of the Annual Internal Audit Plan, that was also reported to the October 2020 meeting.
- 5.4 The Internal Audit review provided reasonable assurance to both the OPCC and Force concluding that the controls in place to manage this area are suitably designed and consistently applied.

6. REGULATORY FRAMEWORK AND COMPLAINTS

- 6.1 The Committee has considered reports detailing any contracts that have been entered into that have not been subject to the approved contract standing orders and the reasoning for this.
- 6.2 The Committee has not had any issues referred to it by the Statutory Officers of either the PCC or CC during 2020/21 and has not been required to consider any Freedom of Information appeals.
- 6.3 In relation to Complaints and Conduct received against the Police Force, the Committee received 2 reports during the financial year from the Directorate of Standards and Ethics providing the Committee with information and assurance around the following areas:
- An update on the Police Regulation Reforms.
 - The South Wales Peer Review.
 - HMICFRS areas for improvement (AFI).
 - Implementation of local command complaint investigations.
- 6.4 In addition to the above area, the reports also provided updates on the work of Information Management Unit within the Force, touching on the areas below:
- Data Protection and Information Rights
 - Records Management and Data Quality
 - Vetting
 - Information Security
 - Freedom of Information
 - Disclosure and Barring Service (DBS)
- 6.5 Despite the challenges that continue with this area of work the Committee could see evidence of improvement and recognise how vital it is for this to continue and will be looking for further evidence of this throughout 2021/22.
- 6.6 It was also reassuring that the Department reflected that the restructure and additional resources that have been implemented in both the professional standards function and Information Management Unit should ensure that the Force is capable of meeting operational demand and its duty of care towards its staff.

7. HEALTH AND SAFETY

- 7.1 The Committee received the Annual Health and Safety Report from the Chief Constable in June 2020, covering the 2019/20 financial year.
- 7.2 2019-20 saw the overall number of injuries on duty sustained by Police Officers and Police Staff, including PCSOs and Special Constables, rise to 270 compared to 260 incidents in the previous financial year.
- 7.3 The highest volume of injuries continues to be the outcome of two causational factors. Across the reporting period the Force saw a substantial increase of 40.6% in the number of Officers being assaulted whilst on duty. The period also saw 18.0% increase in the number of those injured whilst restraining persons prior to arrest.
- 7.5 The Committee will continue to give this area focus and will report further on the 2020/21 position in next year's report however the overall position is showing a decrease (of around 9%) in the number of overall injuries sustained on duty with a substantial decrease of 30% in the number of officers being assaulted while on duty. However, the number of Officers injured whilst restraining persons continues to increase.

8. INSURANCE AND CIVIL CLAIMS

- 8.1 The Committee received two reports on Civil Claims during the financial year, the information provided within these reports showed that the Evolve Legal Collaboration (covering Cleveland, Durham and North Yorkshire) was dealing with as many Civil Claims for a Cleveland perspective as they were from the other 2 Forces combined.
- 8.2 Work has been commissioned to look into why this is the case, and this is covered within the 2021/22 work of the Committee.

9. EQUALITY, DIVERSITY and INCLUSION

- 9.1 The Committee considered a report in relation to the Equality, Diversity and Inclusion at its meeting in June 2020. The areas that will need significant and continued focus from the Force are that:
- Male officers continue to comprise over 70% of officers serving in 2019-20.
 - Just under 70% of Police Staff are female.
 - Almost 98% of PCSOs, almost 95% of Police Officers, and just over 80% of Police Staff are 'White British'
- 9.2 Further work has been done to increase the level of information and data in this area with the 2020/21 report covering the additional areas of age, disability, religion and sexual orientation. This is a welcome addition and we will consider this more in our 2020/21 report.

10. INFORMATION GOVERNANCE

- 10.1 The Committee continues to be provided with assurances that Cleveland Police has implemented the necessary technical, physical, personnel and procedural security controls to protect its information and satisfy national Information Assurance requirements that are pertinent to the government and policing.
- 10.2 The report summarised that there had been 149 incidents during the year covered by the report covered this area of work – this was almost a 15% increase on the previous year and therefore an area that both the organisation and the committee will continue to look at closely during 2021/22.

AUDIT COMMITTEE - TERMS OF REFERENCE

Composition of the Committee

The Audit Committee comprises 5 members who are independent of the Office of the PCC and Cleveland Police. The executive of the Office of the PCC and the Command Team of the Police Force are required to be represented at each meeting of the Committee.

Quorum of the Committee

No business shall be transacted at the meeting of the Audit Committee unless at least 3 Members of the Committee are present.

Press and Public

The Public shall be admitted to all meetings of the Audit Committee unless excluded by resolution in accordance with the provisions of the Local Government Act 1972 (Schedule 12a), as amended by the Local Government (Access to Information) Act 1985.

A member of the public will not be permitted to speak or ask questions at the meeting except with the consent of the meeting chair.

Exclusion of Public Access

The public must be excluded from meetings whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that confidential information would be disclosed.

Confidential information means information given to the PCC or CC by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

Items will be considered '**Below the Line**' or 'not for publication' when they contain exempt information as defined by schedule 12 of the Local Government Act 1972.

Purpose

The Audit Committee is responsible for enhancing public trust and confidence in the governance of the Office of the PCC and Cleveland Police. It also assists the PCC in discharging statutory responsibilities in holding the Police Force to account. This is achieved by;

- Advising the OPCC and Chief Constable of Cleveland Police according to good governance principles
- Providing independent assurance on the adequacy and effectiveness of the OPCC and Cleveland Police internal control environment and risk management framework.
- Overseeing the effectiveness of the framework in place for ensuring compliance with statutory requirements (and in particular those in respect of health and safety and equalities and diversity.)
- Independently scrutinising financial and non-financial performance to the extent that it affects the OPCC and Cleveland Police exposure to risks and weakens the internal control environment
- Overseeing governance and monitoring of governance within the organisation.
- Overseeing the financial reporting process

To aid the Committee in delivering its purpose and objectives the PCC will make available funds for the Committee to take independent legal and financial advice where the Committee deems it is reasonably necessary to do so. Where the Committee deems this

advice is necessary it should be discussed and coordinated with the PCCs Monitoring Officer and the Chief Finance Officers of the PCC and CC.

Objectives

The Audit Committee meets at least four times a year (and in effectively discharging its function is responsible for:

Internal Control Environment

- Satisfying itself as to the effectiveness of the internal control framework in operation within the Office of the PCC and Cleveland Police and advising the PCC and Chief Constable of Cleveland Police as appropriate.
- Considering the Annual Governance Statement for publication with the annual accounts, together with associated action plans for addressing areas of improvement and advising the PCC as appropriate.

Corporate Risk Management

- Approving the Office of the PCC and Cleveland Police corporate risk management strategy and framework; ensuring that an appropriate framework is in place for assessing and managing key risks to the Office of the PCC and Cleveland Police.
- Considering the financial risks to which the Office of the PCC and Cleveland Police are exposed and approving measures to reduce or eliminate them or to insure against them.
- Providing assurance to the PCC and Chief Constable of Cleveland Police as appropriate on the effectiveness of the risk management framework in operation.
- Provide oversight and scrutiny of the risk registers of both the PCC and Chief Constable

Regulatory Framework

- Maintain an overview of the governance framework in respect of contract procedure rules, financial regulations and codes of conduct and behaviour and to review and approve on an annual basis any changes to the Code of Corporate Governance.
- Maintain an overview of the work of the Force's Professional Standards Department in relation to an overview of the number and types of complaints.
- To review any issue referred to it by the Statutory Officers of the PCC and Chief Constable and make recommendations as appropriate.
- To monitor the policies of both the PCC and Chief Constable on 'Raising Concerns at Work', anti-fraud and corruption strategy and complaints process.

Internal Audit

- Advising the PCC and Chief Constable of Cleveland Police on the appropriate arrangements for internal audit, the appointment of the Internal Auditors and approving the Internal Audit Strategy.
- Approving the internal audit annual programme.
- Overseeing and giving assurance to the PCC and Chief Constable of Cleveland Police on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.

- Considering the Head of Internal Audit Annual Report and annual opinion on the internal control environment for the Office of the PCC and Cleveland Police; ensuring appropriate action is taken to address any areas for improvement.
- Reviewing and monitoring the effectiveness of Office of the PCC and Cleveland Police on fraud, irregularity and corruption.

External Audit

- Advising the PCC and Chief Constable of Cleveland Police on the appointment of external auditors.
- Approving on behalf of the PCC and Chief Constable of Cleveland Police the external audit programme and associated fees
- Reviewing the external auditor's Annual Completion Report and any other reports; reporting on these to the PCC and Chief Constable of Cleveland Police as appropriate and including progress on the implementation of agreed recommendations.
- Reviewing District/External Auditor's Annual Audit Letter and making recommendations as appropriate to the PCC and Chief Constable of Cleveland Police.

Financial Reporting

- Reviewing the Annual Statement of Accounts and make recommendations or bring to the attention of the PCC or CC, any concerns or issues.
- To consider whether appropriate accounting policies have been followed and any changes to them.

Inspection and Review

- Considering HMIC, external review agencies and any internal inspection reports that provide assurance on the internal control environment and/or may highlight governance issues for the Office of the PCC and/or Cleveland Police.
- Overseeing and giving assurance to the PCC and Chief Constable of Cleveland Police that appropriate action is taken in response to HMICFRS findings, including that all actions are implemented, delivered and embedded, particularly in areas of high risk.

Complaints

- Maintain an overview of Force complaints including dip sampling.
- Maintain an overview of complaints against the Office of the Police and Crime Commissioner and its staff and act as the appeals body when required.

Freedom of Information

- Act as the review body for Freedom of Information appeals

Civil Claims

- Maintain an overview of Civil Claims

Information Governance

- Review Corporate Strategy, policies and procedures in relation to Information Governance for both the PCC and CC.
- Review reports from the Senior Information Risk Owner (SIRO), of both the PCC and CC, relating to the implementation of the corporate strategy, compliance with Data Protection Act and other information Governance related legislation.
- Consider any implications for governance and the annual governance statements of both the PCC and CC from issues in this area.