



THE POLICE AND CRIME COMMISSIONER FOR CLEVELAND

Commissioning

Final Internal audit report 9.22/23

13 March 2023

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

Why we completed this audit

As part of our approved internal audit plan for 2022 / 2023, we have undertaken a review of the commissioning process which is based in the Office of the Police and Crime Commissioner (OPCC). The objective was to determine whether the OPCC has an appropriate and effective control framework in place to manage the commissioning process from the initial selection of partners all the way through to the monitoring of services provided against the grant agreement.

Two separate funding streams are available to the Police and Crime Commissioner to provide commissioned services within Cleveland. This is the Community Safety Fund which, in the 2022/23 financial year, is forecast to spend £1,000,000 with funding going to services providing support to help youth offending, domestic violence and schemes to help stop crime on a local level. The second funding stream is Victims and Witnesses Services which has £1,695,000 to spend to safeguard vulnerable children and adults, provide support to witnesses and overall help victims of crime. Further funding streams are available from Government departments such as the Home Office and the Ministry of Justice though this requires an application and therefore funding is not guaranteed and normally comes with strict limitations on what money can be spent on.

The commissioning process itself is comprised of several distinct stages from the initial identification of providers, completion of a Decision Record Form (DRF) and Commissioner sign-off, due diligence of providers (composing of credit checks and confirmation of insurance arrangements), completion and signing of a grant agreement and finally the monitoring of services against agreed deliverables. As part of the OPCC restructure, the future ownership for commissioning will be led by the Head of Policy, Partnerships and Delivery which is expected to remove some of the confusion around ownership and responsibility.

There are three different methods by which partners can be commissioned to provide services. These are through a tender process, by applying online and, if appropriate and in the best interest of service delivery, by directly approaching known service providers. All three methods require the same due diligence, grant agreement and reporting process though the method by which they are identified and selected differs. The OPCC is responsible for the applying online and direct approach methods, whilst the Force Procurement Team is responsible for the tender process.

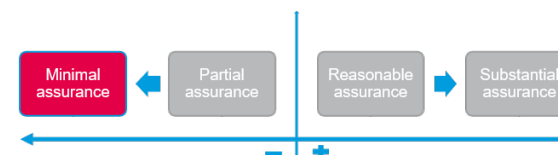
Conclusion

We reviewed the documentation on file for a sample of 20 funding arrangements to determine whether the correct paperwork is held by the OPCC and to confirm that the process in place has been completed correctly and in the correct order. Our testing and review of documentation identified significant control weaknesses and indicated that there are several areas where controls are not working as designed, or controls do not exist. Significant discrepancies were identified in the due diligence process, the monitoring of services against grant agreements and ensuring grant agreements are signed only after key documentation is on file.

As a result of our review, we have agreed **four high**, **four medium** and **two low** priority management actions. Further details of these action can be found under section two of this report.

Taking account of the issues identified, the Police and Crime Commissioner for Cleveland can take **minimal assurance** that the controls upon which the organisation 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.



Key findings

Our audit identified the following exceptions resulting in four high and four medium priority management actions being agreed, details of the high priority actions are shown immediately below:



Insurance documents

Third-party confirmation of insurance arrangements must be in place for all providers before the grant agreement is signed and funding begins. From our sample testing of 20 providers, we were provided with insurance documents in only 13 of the 20 instances. Of the remaining seven:

- insurance documents for two providers are held by the Force Procurement Team as providers were agreed through a tender and the OPCC were therefore unable to provide copies of these documents;
- for three providers, insurance documents were not provided but all funding had been released and the grant agreements had expired;
- in one instance, the Strategic Contracts and Governance Manager has been chasing the provider for documentation but has yet to be provided with this. A signed grant agreement is on file for this provider and funding has been released; and
- in the final instance, the OPCC is waiting for insurance documents and the grant agreement has not been signed though the funding period has begun.

There is a risk that if evidence of insurance arrangements is not on file, the OPCC could face financial loss and / or legal action in the event of an incident. **(High)**



Performance meetings

From our sample testing of 20 providers, we were informed that performance meetings had taken place for 10 out of the 20 providers. From review of documentation and evidence, we identified that a log of performance meetings and discussions held (either meeting minutes or an action log) between the Commissioner's Officers and providers was on file for only five of the 20.

For 15 of the 20 providers, we were not supplied with any evidence to show meetings took place or an action log had been created. It should be noted that for one of these 15 instances, a performance meeting was not yet due. There is a risk that if performance meetings are not held and minutes or action logs are not completed and retained, underperformance could go unchallenged and result in potential financial risk. **(High)**



Decision Record Forms

All grant agreements are required to be signed by both parties after the DRF has been signed by the Commissioner. From our sample testing of 20 grant agreements, we noted one grant agreement had yet to be signed though the funding period had begun. The Strategic Contact and Governance Manager confirmed that whilst the funding period has begun, funding was yet to be provided. For the remaining 19 grant agreements, we confirmed that 13 were not signed before the start of the funding period began. For the same 19 providers, we further identified that:

- no DRF was on file for one provider. This exception had been approved by the Chief Finance Officer for the OPCC (via an email trail) and relates to a staff secondment rather than services provided;
- in five instances, the DRF had been signed before both the grant agreement was signed and the funding period had begun; and
- in the remaining 14 instances, the DRF was completed after the grant agreement had been signed or the funding period had begun.

If grant agreements are signed before the DRF is signed or the after the funding period begins, there is a risk that the OPCC could face financial, legal or reputational damage due to disagreements regarding funding amounts or arrangements in the grant agreements. **(High)**



Credit checks

During our sample test of 20 sets of funding for separate providers, we identified that evidence of a credit check was on file for 19 of the 20 providers. In the remaining instance, the Strategic Contracts and Governance Manager attempted a credit check but could not complete this as the provider has not been correctly set up as an organisation or charity. Email evidence has been supplied confirming this issue was raised to the Chief Finance Officer for the OPCC.

However, for the remaining 19 credit checks that were completed, only two checks were completed before the grant agreement had been signed and the funding period had begun. The Strategic Contracts and Governance Manager did note that often providers are used multiple times for different services or receive multiple sets of funding. As such, a credit check may not be completed immediately as a more recent check may be on file. Regardless, if a valid, up-to-date credit check is not on file before grant agreements are signed and the funding period has begun or where a credit check cannot be completed and safeguards are not in place, there is a risk that the provider may not be able to provide agreed services and could pose a financial risk to the OPCC. **(High)**

For details of the medium and low management actions, please see section two of this report.

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: Risk Reference 1487 | | | | |
|--------------------------------|--|--|-----------------------------------|-----------------------------------|
| Control | Missing control There is no commissioning policy in place outlining the commissioning process from start to finish. | Assessment: | | |
| | | Design | | x |
| | | Compliance | | - |
| Findings / Implications | <p>There is currently no policy in place for commissioning. As such, there is no documented process outlining how commissioning should be undertaken or the procedure starting from initial interest to awarding the grant and finally to monitoring.</p> <p>There is a risk that if a documented policy or procedure document is not in place, a consistent approach to commissioning may not be used leading to potential financial and reputational risk in the future.</p> | | | |
| Management Action 1 | <p>The OPCC will develop a commissioning policy outlining the process from start to finish.</p> <p>The policy will be made available to staff in a shared location.</p> | Responsible Owner: Head of Policy, Partnerships and Delivery | Date: 30 September 2023 | Priority: Medium |

Risk: Risk Reference 1487

| | | | | |
|--------------------------------|---|----------------------------------|---------------------|-------------------------|
| Control | Partially missing control | Assessment: | | |
| | The commissioning strategy acts as the framework for the Force and the OPCC and outlines the commissioning process and mechanisms in place. | Design | | × |
| | There are no further procedure documents in place to govern commissioning arrangements. | Compliance | | - |
| Findings / Implications | Whilst there is a framework in place that is currently being used by the OPCC (decision record forms, a due diligence process, and grant agreements) and this has been documented, it has not been clearly documented at which point in the commissioning process the documents should be completed and by whom.. The commissioning strategy partly acts as a framework, though it does not outline the mechanisms and processes that should be used when undertaking the commissioning process. There is a risk that if a clear framework and policy is not developed and made available to staff to set out the mechanisms and procedures to be used, the likelihood of errors and problems increases which could lead to financial issues and / or the OPCC failing to provide value for money. | | | |
| Management Action | <i>See management action one.</i> | Responsible Owner: N/A | Date: N/A | Priority: N/A |

Risk: Risk Reference 1487

| | | | | |
|-------------------------|---|---------------------------|------------------|-----------|
| Control | Partners and providers are identified either through the tendering process (for commissioned contracts), through application on the OPCC's website or through direct approach by the OPCC. | Assessment: | | |
| | | Design | ✓ | |
| | | Compliance | x | |
| Findings / Implications | There are several ways in which a provider can be identified: <ul style="list-style-type: none">through a tendering process for a commissioned contract (commissioned contracts);through applying on the OPCC website (grant agreement); ordirect approach by the OPCC (grant agreement). All three methods of commissioning undertake the same due diligence and monitoring process. Any commissioned service that are completed through a grant agreement are identified and selected by the OPCC, whereas the commissioned contracts are completed by the Force Procurement Team. It was highlighted by the Strategic Contracts and Governance Manager that a significant amount of funding uses the direct approach though this is primarily due to the difficulties with Ministry of Justice (MOJ) funding. It was highlighted that MOJ funding is often last minute and requires significant conditions which eliminates a significant number of potential providers. We did note that a declaration of interest process for grants was not in place and, if Commissioner's Officers are involved with the selection of providers, there is a risk that a conflict of interest could go unnoticed. From review of all 20 providers, we confirmed that all 20 were aligned to at least one of the priorities identified on the commissioning strategy and subsequently the Police and Crime Plan, which confirms that all providers have been appropriately funded in line with priorities set out by the Commissioner. | | | |
| Management Action 2 | A declarations of interest process will be created to help identify potential conflicts of interest. | Responsible Owner: | Date: | Priority: |
| | | Assistant Chief Executive | 31 December 2023 | Low |

Risk: Risk Reference 1487

| | | |
|--------------------------------|--|---------------------|
| Control | Due diligence is undertaken on all providers. This involves a credit check and confirmation of insurance. | Assessment: |
| | | Design ✓ |
| | | Compliance x |
| | | |
| Findings / Implications | All commissioned services require due diligence documentation to be on file. This includes a credit check and confirmation of insurance arrangements. From our sample of 20, we identified: | |
| | <ul style="list-style-type: none">• a credit check was on file for 19 of the 20 samples; | |
| | <ul style="list-style-type: none">• in the remaining instance where a check was not on file, the Strategic Contracts and Governance Manager confirmed that a credit check was undertaken; however, the organisation receiving funding has not been correctly registered as a company or charity and therefore credit details could not be found. Email evidence between the Strategic Contracts and Governance Manager and the Chief Finance Officer for the OPCC has been provided to confirm this; | |
| | <ul style="list-style-type: none">• in 19 instances, where a credit check has been completed, there are only two instances where the credit checks have been completed before the grant agreement was signed and before the funding period had begun; and | |
| | <ul style="list-style-type: none">• insurance documents could only be provided in 13 out of the 20 samples. Of the remaining seven: | |
| | <ul style="list-style-type: none"><ul style="list-style-type: none">○ two sets of insurance documents are held by the Force Procurement Team but not by the OPCC. We were therefore unable to obtain copies; | |
| | <ul style="list-style-type: none"><ul style="list-style-type: none">○ in three cases, insurance documents were not provided, and the agreement has expired (all services provided); | |
| | <ul style="list-style-type: none"><ul style="list-style-type: none">○ in one instance, the Strategic Contracts and Governance Manager has been chasing the provider for documentation but has yet to receive this; and | |
| | <ul style="list-style-type: none"><ul style="list-style-type: none">○ in the final case, the OPCC is waiting for documentation to be provided and the grant agreement has yet to be signed (though the funding period has begun). | |
| | <p>There is a risk that if credit checks are not completed before the grant agreement is signed, the organisation may not be financially stable and could result in services not being provided.</p> | |
| | <p>There is a further risk that if organisations receive funding without appropriate insurance arrangements in place, the OPCC could receive negative media attention and increased public scrutiny in the event of an incident in which providers did not have insurance coverage.</p> | |
| | <p>It was noted by the Assistant Chief Executive that one of the reasons for this was due to the large amount of funding received from the MOJ and as noted previously, this is often last minute with extensive requirements. As such, due diligence has had to be prioritised for funding and providers that pose the greatest risk to the organisation. Another example was funding received from the NHS that the OPCC</p> | |

was informed about in December 2023 and would also start in December 2023. In this instance, due diligence would never have been completed before the funding period began though this was through no fault of the OPCC.

To support these problems, it was also explained that work has been undertaken regarding a quality schedule to enable the OPCC to have greater assurance and evidence from services to ensure that services are being delivered on their behalf. Upon review of the quality schedule, we can see this has been developed and has been used for some providers.

| | | | | |
|----------------------------|---|--|-------------------------------|---------------------------------|
| Management Action 3 | Where an organisation receiving funding is not set up correctly and no credit check details can be provided, additional due diligence and monitoring will be undertaken and the decision to continue with funding will be formally documented. Staff will also be reminded that checks should be undertaken before the grant agreement is signed and before the funding period begins. | Responsible Owner: Head of Policy, Partnerships and Delivery | Date: 30 April 2023 | Priority: High |
| Management Action 4 | Staff will be reminded of the requirement to ensure insurance documentation is obtained and this has been provided before the grant agreement is signed and before the funding period begins. All insurance documents will be obtained in a timely manner and this requirement will be enforced through the audit activity if a decision is made to restart it. | Responsible Owner: Head of Policy, Partnerships and Delivery | Date: 30 April 2023 | Priority: High |

Risk: Risk Reference 1487

| | | | | |
|-------------------------|--|------------------------------------|-------------------|-----------|
| Control | Commissioner's Officers are responsible for identifying partners, developing the grant agreement, and monitoring against the grant agreement. | Assessment: | | |
| | | Design | | ✓ |
| | | Compliance | | × |
| Findings / Implications | <p>The Assistant Chief Executive highlighted that whilst the commissioning process works quickly and there are sufficient and adequate resources to complete the activities assigned as part of commissioning, the process is slowed down by the speed and responsiveness of partners and how quickly they respond to questions and requests for documents and reports. This was identified during our sample testing of 20 providers where we noted that documentation had not been received by the OPCC within a timely manner from providers.</p> <p>Furthermore, as part of a recent re-structuring activity that was completed at the end of 2022, the Assistance Chief Executive has highlighted that additional capacity will be made available to help Commissioner's Officers.</p> <p>The Strategic Contracts and Governance Manager highlighted that an audit activity used to be undertaken to determine whether commissioning was compliant, and all required documentation was on file. This was stopped approximately 18 months ago after the individual responsible left the organisation. There is a risk that if audits are not undertaken, instances of non-compliance could go unnoticed.</p> <p>The Assistant Chief Executive highlighted that staff have been enrolled on a training course from a third-party provider (BlueLight Commercial). This training primarily covers contract management and has been specifically chosen to ensure Commissioner's Officers (who are typically subject matter experts) have sufficient training as a contract manager. We have been provided with evidence to confirm the first part of the training course has been undertaken by staff.</p> | | | |
| Management Action 5 | <p>A decision will be made on whether an audit activity will be restarted to provide additional oversight that appropriate documentation is on file (DRF, grant agreement, due diligence documents) and the commissioning process has been undertaken in the correct order.</p> <p>For example, checking to make sure due diligence has been undertaken after the DRF is signed but before the grant agreement has been signed before the funding period begins.</p> | Responsible Owner: | Date: | Priority: |
| | | Chief Finance Officer for the OPCC | 30 September 2023 | Medium |

Risk: Risk Reference 1487

| | | | |
|--------------------------------|---|--------------------|---|
| Control | <p>All monies provided as part of commissioned services require a grant agreement which explicitly sets out services to be provided, deliverables and monitoring arrangements.</p> <p>Commissioner's Officers are responsible for monitoring organisations that receive funding from the OPCC, as laid out in the grant agreements.</p> | Assessment: | |
| | | Design | ✓ |
| | | Compliance | × |
| Findings / Implications | <p>We selected a sample of 20 organisations that had received funding from the OPCC and requested the grant agreements for each to confirm that the services and outcomes to be provided were clearly documented.</p> <p>In all 20 instances, a grant agreement was on file and clearly stated the key services and deliverables for the commissioned service. It was noted that all grant agreements use the same template and as such, all key services and deliverables can be seen in schedule one of the grant agreement for each of the 20 samples.</p> <p>In 19 of the 20 grant agreements, it was explicitly stated that regular (either monthly or quarterly) performance meetings were required to be completed with a Commissioner's Officer from the OPCC. In the remaining instance, the organisation receiving funding was required to attend a meeting on a bi-monthly basis with a third-party. Regular performance reporting was also mandated in all 20 grant agreements as a condition of the funding.</p> <p>From review of documentation provided:</p> <ul style="list-style-type: none">• performance meetings took place at the required frequency for 10 out of the 20 samples;• in one instance, a performance meeting has yet to take place though funding has only recently been agreed and a meeting is not required to have taken place yet;• in seven instances, no evidence has been provided to confirm a meeting has taken place or taken place at the required frequency;• in one instance, a meeting has not taken place, but it was explained that this was because only a performance report is required to be submitted. We did note that the grant agreement specifies that performance meetings should take place;• in the final instance, one meeting has taken place though the commissioned services have not yet started due to a payment issue with the bank; and• of the 20 providers, we were supplied with meeting minutes or an action log for only five of the 20 providers. In one instance a performance meeting was not yet due and in the remaining 14 instances, we could not locate meeting minutes or an action log. <p>For all 20 grant agreements, the grant agreement specified the requirement for performance reporting to be provided to the Commissioner's Officer on either a quarterly or monthly basis. From review of the documentation provided, we were able to confirm that:</p> <ul style="list-style-type: none">• in 13 instances, performance reporting is on file and at the frequency noted in grant agreements;• in three instances, performance reporting was not yet due and as such was not on file;• in one instance, the provider has yet to begin work as there is an ongoing payment issue with the bank and as such no performance reporting has been completed; | | |

- in another instance, the provider has yet to begin work and has not submitted a performance report though it was noted that no funding has been provided to this organisation yet; and
- in two instances, no performance reporting is on file. For one of these discrepancies, it was noted that the OPCC is having trouble with the organisation and funding has been halted until a performance report can be supplied.

If evidence of reporting and regular meetings between Commissioner's Officers and commissioned organisations are not kept on file, there is a risk that poor performance may go unnoticed, there could be a breach of the grant agreement and the OPCC may not receive value for money. This is particularly important when dealing with organisations that have been commissioned to provide key services or have received significant sums of money.

| | | | | |
|----------------------------|---|--|-------------------------------|-----------------------------------|
| Management Action 6 | Minutes and / or action logs will be maintained and kept on file for all commissioned services. | Responsible Owner: Head of Policy, Partnerships and Delivery | Date: 30 April 2023 | Priority: High |
| Management Action 7 | Staff will be reminded of the importance of performance reporting and ensuring this is reviewed and kept on file. If a provider fails to provide performance reports, this should be escalated within the OPCC. | Responsible Owner: Head of Policy, Partnerships and Delivery | Date: 1 April 2023 | Priority: Medium |

Risk: Risk Reference 1487

| | | |
|--------------------------------|--|--|
| Control | All commissioned services are required to have a grant agreement in place outlining the funding allocated. The grant agreement is signed either by the Commissioner or an authorised representative as well as the party receiving funding. Grant agreements are to be signed after the due diligence process and after a signed DRF is on file. | Assessment: Design ✓ Compliance × |
| Findings / Implications | <p>We selected a sample of 20 instances of funding provided by the OPCC. This consisted of:</p> <ul style="list-style-type: none">• two commissioned contracts; and• 18 grant agreements:<ul style="list-style-type: none">○ four agreements that expired in 2022; and○ 14 live agreements. <p>Of the 20 fund allocations we identified that a grant agreement is on file for all 20.</p> <p>An agreed signatories list is in place and lists the five individuals that are authorised to sign on behalf of the Commissioner. Limits are set in line with the Standing Orders and the Code of Corporate Governance though these limits are not recorded on the authorised signatories list. If authorisation limits are not clearly documented on the authorised signatories list, there is a risk that grant agreements and payments could be signed off by an individual that is not authorised to do so.</p> <p>From our review of all 20 grant agreements, we confirmed that 18 had been signed by an individual on the authorised signatories list with the remaining two being signed by the Force's Head of Procurement and Fleet. The two agreements signed by the Head of Procurement and Fleet were commissioned contracts which are required to be tendered by the Force Procurement Team. From review of the Force's Standing Orders, we confirmed that the Head of Procurement and Fleet can sign off contracts and agreements less than £150,000 which, in both cases, means that the grant agreement has been correctly signed.</p> <p>Whilst all agreements were signed by either the OPCC or the Force Head of Procurement and Fleet, we identified that one grant agreement has not been signed by a representative of the provider. The Strategic Contracts and Governance Manager noted that whilst the agreement has not been signed and the due diligence process is still ongoing, no funding has been provided. We confirmed this was the case on the Oracle (finance system) though noted in the grant agreement that the funding period has begun.</p> <p>Through review of the remaining 19 grant agreements, we identified that 13 were not signed before the start of the funding period. If grant agreements are not signed by both parties before the beginning of the funding period, there is a risk of financial, legal, and reputational damage.</p> <p>Using the same sample of 19 grant agreements, we compared the dates of the DRF to the dates which the grant agreements were signed and the funding period began. Of the 19:</p> | |

- no DRF was on file for one provider. As noted previously, this was approved by the Chief Finance Officer for the OPCC, and email evidence has been provided to confirm this;
- five DRFs were completed before the grant agreement was signed and the funding period began; and
- in the remaining 14 instances, the DRF was either not signed before the grant agreement was signed and / or the funding period began.

There is a risk that if grant agreements are signed before the DRF is signed or the after the funding period begins there is a risk of financial, legal, and reputational damage.

| | | | | |
|----------------------------|--|--|-------------------------------|---------------------------------|
| Management Action 8 | Authorisation limits will be added to the authorised signatories list. | Responsible Owner: Chief Finance Officer for the OPCC | Date: 30 April 2023 | Priority: Low |
| Management Action 9 | All grant agreements will be signed after the DRF has been signed by the Monitoring Officer and the Commissioner, and always before the funding period begins. | Responsible Owner: Head of Policy, Partnerships and Delivery | Date: 31 March 2023 | Priority: High |

Risk: Risk Reference 1487

| | | | | |
|--------------------------------|--|--|-------------------------------|----------------------------|
| Control | Missing control No internal reporting is provided to the Commissioner or other senior staff within the OPCC regarding the commissioned services and partnership arrangements in place. | Assessment: Design × Compliance - | | |
| Findings / Implications | <p>There is currently no formal, documented internal reporting in place that provides assurance to either the Commissioner or senior staff within the OPCC that commissioned services and partnership arrangements are delivering against the grant agreements and objectives within the Police and Crime Plan. Instead, verbal discussions are held in relation to providers.</p> <p>There is a risk that if reporting is not undertaken, underperforming providers could go unnoticed by the Commissioner and senior staff, and this risks failure to provide both value for money and deliver against the Police and Crime Plan objectives.</p> <p>The Assistant Chief Executive has informed us that the Commissioning Team take and report issues into the Police and Crime Plan delivering meeting, though meeting minutes are not taken to support these discussions.</p> <p>A tracker is currently in place that is used to review all active, expired and rejected funding from the OPCC. This includes the due diligence documents that are in place (insurance and credit checks), the Commissioner's Officer responsible within the OPCC and start and expiry dates within the agreement. However, this does not cover the performance or the results of any meetings or discussions held between the organisation and the Commissioner's Officer.</p> <p>The Assistant Chief Executive has noted that the OPCC is currently looking to procure a system to support further monitoring over funding, services, and providers. The system will allow for reports to be easily produced and these will be used in the future when reporting to committees and the Police and Crime Commissioner.</p> | | | |
| Management Action 10 | <p>An internal reporting process will be started highlighting all active partnerships, the total amount due, amount paid out and whether the organisation is delivering against requirements set out in the grant agreement.</p> <p>An agreed frequency will be established, and consistent reporting provided to relevant staff members.</p> <p>The reporting could also include reference to the Police and Crime Plan to make clear how commissioned services are delivering against the objectives highlighted within the Plan. This could also be used to feed into the annual report and future commissioning decisions.</p> | Responsible Owner: Assistant Chief Executive | Date: 31 March 2023 | 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.

| Audit | Control design not effective* | | Non Compliance with controls* | | Agreed management actions | | |
|---------------|-------------------------------|------|-------------------------------|------|---------------------------|----------|----------|
| | | | | | Low | Medium | High |
| Commissioning | 3 | (15) | 6** | (15) | 2 | 4 | 4 |
| Total | | | | | 2 | 4 | 4 |

* 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.

* More than one action raised against one control

APPENDIX B: SCOPE

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

Objective and risk relevant to the scope of the review

The internal audit assignment has been scoped to provide assurance on how the Group manages the following risk:

| Objective of the risk under review | Risk relevant to the scope of the review | Risk source |
|---|--|---|
| Commissioning plans are designed to meet the objectives within the Police and Crime Plan and deliver value. | Risk Reference: 1487 | Police and Crime Commissioner's strategic risk register |

Scope of the review

Our review will focus on the following areas:

- Whether strategies and policies are in place governing commissioning services arrangements (including the selection of providers, awarding contracts and grants, monitoring, and reporting of provider and partner performance), and whether these are regularly reviewed and available to staff.
- Whether commissioning principles have been established which align to the Police and Crime Plan and support the framework by which commissioning activities will take place.
- There is a framework in place setting out the different mechanisms through which the commissioning process operates, and the processes to be followed.
- Whether key objectives and deliverables have been identified to deliver commissioning intentions.
- Review of the processes for identifying, performing due diligence, selecting and monitoring of providers and partners. This will include a review of the allocation of grant monies; and the approval process. We will also review how funding allocations are recorded.
- Review of the roles and responsibilities within the Office of the Police and Crime Commissioner (OPCC) for commissioning, contract management and the monitoring of services supplied to ensure adequate resources within the OPCC and activities have been assigned.
- Review of agreements to ensure they clearly state services to be provided and expected outcomes, and the process established to monitor performance against outcomes and objectives, including regular review and challenge of poor performance with the provider or partner organisation.
- Whether appropriate agreements were issued and signed by all parties for each grant fund allocation. We will review a sample of grant allocations and confirm that these have been signed on behalf of the Commissioner.

- Consideration of the internal reporting arrangements and systems in place that give assurance to the Police and Crime Commissioner that commissioned service and partnership arrangements are delivering against individual agreements and the objectives within the Police and Crime Plan.
- Review of the arrangements in place for monitoring expenditure against individual agreements.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Our work will be based on sample testing.
- We will not provide professional legal opinions or comment on the appropriateness of contractual arrangements.
- We will not provide an independent opinion on the suitability of funded organisations or projects.
- We will consider whether commissioning and partnership decisions are linked to objectives in the Police and Crime Plan but we will not give assurance that those objectives will be met as a result.
- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error; loss or fraud does not exist.

Debrief held 20 January 2023
Last evidence received 10 February 2023
Draft report issued 15 February 2023
Responses received 13 March 2023

Final report issued 13 March 2023

Internal audit Contacts Daniel Harris, Head of Internal Audit
Philip Church, Senior Manager
Hollie Adams, Assistant Manager
Oliver Gascoigne, Senior Auditor

Client sponsor Chief Finance Officer for the OPCC
Chief Finance Officer for the Chief Constable
Strategic Contracts and Governance Manager
Head of Fleet and Procurement
Acting Assistant Chief Executive

Distribution Chief Finance Officer for the OPCC
Chief Finance Officer for the Chief Constable
Strategic Contracts and Governance Manager
Head of Fleet and Procurement
Acting Assistant Chief Executive

rsmuk.com

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 UK 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 UK 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.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.