



THE POLICE AND CRIME COMMISSIONER FOR CLEVELAND AND THE CHIEF CONSTABLE OF CLEVELAND

Financial Planning

Internal audit report 10.21/22

FINAL

12 January 2022

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1. EXECUTIVE SUMMARY

Why we completed this audit

We have undertaken a financial planning audit for the Police and Crime Commissioner for Cleveland and the Chief Constable of Cleveland as part of the internal audit plan for 2021/22. Our audit was undertaken to ensure both organisations have an adequate and effective planning process in place to enable plans to be prepared based on sound assumptions.

Each organisation has its own Long Term Financial Plan (LTFP) in place for 2021/22 to 2024/25 that has been presented to and approved by the Police and Crime Commissioner in February 2021 by means of a decision record form. These were approved alongside supporting documentation including the Report on the Robustness of Estimates and the Adequacy of Financial Reserves – including the Reserve Strategy, The Treasury Management and Prudential Indicators 2021/22 to 2024/25 (which includes the Investment Strategy), the Minimum Revenue Provision Strategy and the Capital Strategy.

The police funding settlement for 2021/22 was received on 17 December 2020 and its impact on the organisations were as follows:

- An increase in of core police grant plus police uplift grant of £4,961k or 5.3%.
- This includes up to £1,199k from the ring-fenced grant for the officer uplift linked to the recruitment of 70 additional FTE Police Officers by the end of March 2022.
- Police Pension Grant remains at £1,324k.
- Capital Grant remains at only £138k.
- A challenge to deliver £1,065k of savings and efficiencies during 2021/22, towards the £95m of savings that have been factored into the National Core Grant allocations.

The budget was set based on the approved 1.99%, or £5.19 increase in the level of Band D precept for 21/22.

There are no specific saving programmes or projects in place for 2021/22 and they were not required as part of the LTFPs. There was a saving requirement of £667k which was agreed to be saved within the agreed budget. This is documented in the LTFPs and the Corporate Financial Monitoring report for month seven confirms this saving has been made.

The LTFPs for 2022/23 to 2025/26 are currently in the process of being developed. The progress against the 2021/22 plan is being used to inform this process and as at month seven there is a projected underspend for the year of £500k.

Underlying assumptions contained within the 2022/23 to 2025/26 plans are as follows:

- Pay inflation of 2%.
- Increase in National Insurance contributions as per Government guidance.
- Non-pay inflation applied where applicable.

- Police Officer number built on 2021/22 LTFP numbers adjusted for growth.
- Staff numbers built on 2021/22 LTFP numbers adjusted for growth.

The last Police Effectiveness, Efficiency and Legitimacy (PEEL) review was undertaken by HMICFRS in 2018/19 and stated that: 'Cleveland Police has a good understanding of the cost of its services and its financial management is good. The Force has provided financial management training to managers and it holds them accountable for their respective budgets. It has a balanced overall budget for the next four years and has based its financial plans on realistic assumptions. The force has a clear approach to achieving savings and re-investing the money in the right areas. While finances are tight, the future savings requirement is minimal.'

Conclusion

The Police and Crime Commissioner and Chief Constable each have a LTFP in place which include assumptions supported by documented evidence to back these up. We have found there to be a well designed governance framework for reviewing, approving and monitoring delivery of the plans at the Force and the OPCC.

Internal audit opinion:

Taking account of the issues identified the Police and Crime Commissioner for Cleveland and the Chief Constable of Cleveland can take **substantial assurance** that the controls upon which the organisations rely to manage this area are suitably designed, consistently applied and effective.



Key findings

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



Both the Force and the OPCC have a LTFP in place which has been reviewed and approved by the Police and Crime Commissioner and there is a decision notice in place to confirm this. The plans are also supported by related documentation such as the Report on the Robustness of Estimates and Adequacy of Financial Reserves, the Capital Strategy, the Minimum Revenue Provision Strategy and the Treasury Management and Investment Strategy.



Through review we confirmed that there is a timetable in place which details the key dates that each task must be completed by and these are in line with legislation for income such as Council Tax and the statutory process with the Police and Crime Panel. The timetable is available to all key members of staff to ensure the dates are met. Through discussion we confirmed that both the Force and OPCC adhere to the same timetable. The development of the plans are undertaken by the Finance teams who are appropriately experienced to do so.



Through review of the LTFPs and the Towards 2025 – The Road to Improvement document it was evident that there are clear links between the vision, priorities and enablers contained within the strategy and the financial plans in place. For example, one of the enablers in the strategy is 'understanding the current and future demand' and there is evidence within the LTFPs of how the force and OPCC have engaged with an external partner for 'Project Evolution' which is in place to undertake a detailed review of demand, working practices and processes.



Another enabler is 'making the best use of technology and data' and one of the capital projects approved and included within the LTFPs is the tape robot replacement. The enabler 'delivering a stable and affordable financial plan' confirms a direct link between the strategy and the Force LTFP as the plan is developed with this in mind.



We reviewed the Finance FMS data collection and compared this to the Force LTFP. We were able to confirm that the information within the FMS data collection form had been accurately reflected within the LTFP.



We also reviewed the LTFPs to the Police and Crime Plan 2021/24. One of the key strategic outcomes is 'to make greater use of technology that creates efficiencies and supports productivity' and there are clear links to this within the LTFPs. The capital schemes include a digital strategy scheme which consists of numerous projects to support this outcome. There is also a 10 point plan of a which a number of points should be fulfilled by the increase of 70 police officers detailed in the LTFPs. These include 'more police on our streets, and 'building confidence in our communities' for example.



Both the Force and the OPCC LTFPs contain a number of reasonable assumptions. We selected a sample of 10 assumptions and were able to trace these back to supporting documentation and evidence. Assumptions reviewed included the pay award, medical retirements, a Home Office special grant, inflation uplift, £15 precept, Police Uplift Programme, counter terrorism funding, recruitment plans and additional monies received for recruitment. Evidence viewed was a mix between internal calculations and government information.



As part of the capital planning process business cases are produced, reviewed and approved. On occasions where new spend is taking place rather than a replacement for example, these require some scenario planning/sensitivity analysis and through review of a sample of three business cases we are able to confirm that this takes place. We were also provided with evidence of where scenario planning had been undertaken as part of the police officer and police staff growth paper that was reported to the Police Futures Board and was considered for the Force LTFP for 2021/22.



Through review of a sample of extracts from the Chief Officer Group and Executive Board minutes we were able to confirm that monitoring of the financial plans takes place at the Force. A monthly Corporate Financial Monitoring report is produced and this details both monitoring against the agreed financial plans for 2021/22 and also how it will affect the plans currently being developed for 2022/23.

Although there were no specific savings programmes in place for 2021/22 we reviewed the process that would be undertaken should they be required and this is soon to be undertaken for the 22/23 plans. A prioritisation process is undertaken through meetings and completion of a resource prioritisation matrix which reviews budgets against the strategic aims of the Force.

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.

We have not identified and agreed any management actions as a result of this review.

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*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Risk Reference: 1435	0	(7)	0	(7)	0	0	0
Total					0	0	0

* 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.

APPENDIX B: SCOPE

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

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risk:

Objective of the risk under review	Risk relevant to the scope of the review	Risk source
The organisations have an adequate and effective financial planning process to enable financial plans to be prepared based upon sound assumptions and accounting appropriately for efficiency savings.	Risk Reference: 1435	PCC's Strategic Risk Register

When planning the audit, the following areas for consideration and limitations were agreed:

- The organisations have a clear and well understood process and timetable for the development and approval of financial plans.
- All persons involved in the preparation of financial plans have received adequate training and guidance to enable them to do so.
- The organisations have developed their Medium Term Financial Plan which is in line with their overall strategy and has been approved in line with the Financial Regulations and Scheme of Delegation.
- The Medium Term Financial Plan is based upon reasonable assumptions, including the identification and evaluation of savings.
- Scenario planning/sensitivity analysis has been completed to ensure that the Medium Term Financial Plan is robust.
- Identified savings are based upon an appropriate decision making process, i.e. how and on what basis is:
 - An initial cost/benefit analysis, or similar, is undertaken to validate inclusion of a savings programme.
 - A programme considered to be worthy of inclusion.
- As part of our review, we will consider:
 - How financial plans for the current financial year (2021/22) were approved.
 - The monitoring of progress against the agreed financial plan for the current year and how this is being used to inform the financial plan for 2022/23.
 - The timetable and procedure to develop the 2022/23 plan.
- We will consider both revenue and capital elements of the financial plan in our review.

Limitations to the scope of the audit assignment:

- 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.
- Any testing will be completed on a sample basis.
- We will not provide an opinion on the content of the Medium Term Financial Plan.
- Our work does not provide assurance on the appropriateness of the transactions or payments made or planned.
- We will not comment on whether the organisations have achieved value for money from specific transactions.
- Our work and report will not provide any assurance on the eventual accuracy at the year end of the current projected outturn or any assurance on the validity and accuracy of any assumptions made in producing the projected outturn.
- We will not verify the accuracy of the general ledger as part of this review.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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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 the Chief Constable of 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.

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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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