

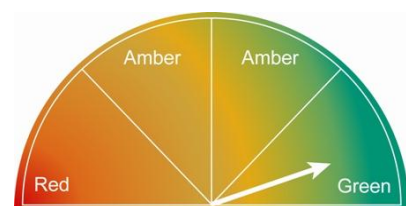
Police Crime Commissioner for Cleveland  
Cleveland Police

Governance - Post PCC Election Review: Good Governance and Financial  
Management

Internal Audit Report 10.2012/13  
April 2013

**FINAL**

Overall Opinion



## CONTENTS

Section	Page
Executive Summary	1
Action Plan	5
Findings and Recommendations	6

Debrief meeting	11 April 2013	Auditors	Ian Wallace, Partner
Draft report issued	12 April 2013		Sue Turner, Senior Manager
Responses received	22 April 2013		Philip Church, Assistant Manager Claire Wood, Senior Auditor
Final report issued	22 April 2013	Client sponsor	Barry Coppinger, PCC Ann Hall, ACO Finance and Commissioning
		Distribution	Kate Rowntree, Executive Staff Officer



This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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## 1 EXECUTIVE SUMMARY

### 1.1 Introduction

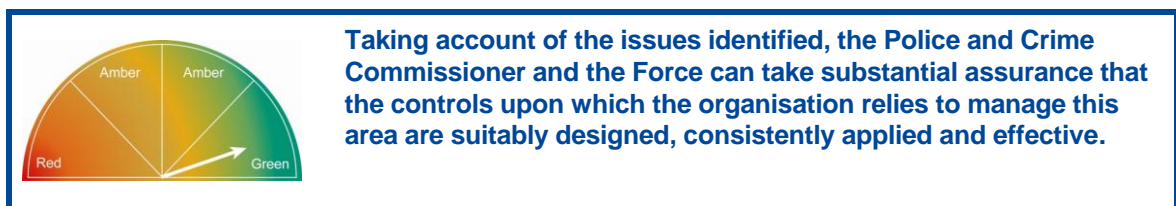
An audit of Governance, focusing on the processes established following the election of the PCC was undertaken as part of the approved internal audit periodic plan for 2012/13. This review focused on elements of the Good Governance Framework and Financial Management Code of Practice as detailed in section 1.3 below.

The Police and Crime Commissioner for Cleveland (PCC for Cleveland) was elected on 15 November 2012 and took up office on 22 November 2013. The Police Reform and Social Responsibility Act (2011) outlines the changes as a result of the introduction of Police and Crime Commissioners across England and Wales, for example, the Act details the role of the PCC to produce a Police and Crime Plan. Further guidance is available to Police Forces through the APACE (Association of Police Authority Chief Executives) Corporate Governance Framework which details best practice guidelines to follow.

The Financial Management Code of Practice for the Police Service of England and Wales details the required financial governance arrangements within the Force and the Office of the PCC.

During the course of this review Cleveland Police suspended the Assistant Chief Officer Finance and Commissioning and have introduced temporary arrangements to ensure business continuity. The fieldwork for this review was completed prior to this.

### 1.2 Conclusion



The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

#### **Design of control framework**

At the time of the audit, the following controls were in place:

##### **Framework**

- There are policies and procedures in place for the Office of the PCC which have been revised as a result of the transition.
- The Force's policies and procedures have been revised to include any changes as a result of the transition to the PCC.
- Joint arrangement protocols are in place where the Office of the PCC and the Force operate jointly.

##### **Police and Crime Plan/Corporate Plan**

- There is a Police and Crime Plan in place which is in line with the requirements detailed in the Police Reform and Social Responsibility Act (2011).
- Performance management arrangements have been developed for both the PCC and the Force to ensure the Plan is met.

##### **Audit Committee**

- There is an independent Audit Committee in place with a documented Terms of Reference detailing the core functions of the Committee.

### **Compliance with Financial Management Code of Practice for the Police Service of England and Wales**

- The Force is complying with the following ten areas of the Financial Management Code of Practice:
  - The identification of Chief Finance Officer roles within the Force and the Office of the PCC.
  - Compliance with the requirements of public reporting responsibilities.
  - Communication and openness.
  - Delivery of the statutory responsibilities of the Chief Finance Officer of the PCC.
  - Delivery of the statutory responsibilities of the Police Force Chief Finance Officer.
  - Use of an Information Sharing Protocol.
  - Preparation and approval of a scheme of consent.
  - Preparation and approval of Financial Regulations and Standing Orders on Contracts.
  - PCC policy on reserves and provisions.
  - Financial planning and budget setting arrangements.

We have made one recommendation with regard to the design of the control framework:

- The PCC for Cleveland does not have a Code of Corporate Governance in place.

### **Application of and compliance with control framework**

#### **Framework**

- We noted that there was a Scheme of Delegation in place which was in line with the APACE Corporate Governance Framework.
- We confirmed that the Office of the PCC's policies and procedures were clearly detailed on the PCC's website.
- Through discussions with the HMIC Liaison Officer, we were advised that the policies and procedures were currently being reviewed however all policies had been revised to include a statement confirming the Police Authority should be substituted for the PCC.
- Formal joint arrangement protocols would be established should a Stage 2 transfer occurred, whereby all Force staff would be TUPED from the PCC to the Chief Constable.

#### **Police and Crime Plan/Corporate Plan**

- We confirmed that there was a Police and Crime Plan in place which had been reviewed by the Chief Constable and the Police and Crime Panel.
- We reviewed the PCC Action Plans and confirmed an action plan was in place for each of the five objectives from the Police and Crime Plan.

#### **Audit Committee**

- All Audit Committee members are independent from the PCC and the Force. The Committee's Terms of Reference had been approved by the Committee for 2012/13 and 2013/14.

### **Compliance with Financial Management Code of Practice for the Police Service of England and Wales**

- We confirmed that the PCC and the Force were complying with the Financial Management Code of Practice for the ten areas reviewed.

## **1.3 Scope of the review**

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

**Areas for consideration:**

**Framework**

- Statement of Corporate Governance
- Code of Corporate Governance
- Scheme of Corporate Governance
- Policies and procedures for the Office of the PCC; policies and procedures for the Force. Joint arrangement protocols.
- Whether arrangements are in place to review the framework.

**Police and Crime Plan / Corporate Plan**

- Timetable for completion, approval and review of the Police and Crime Plan.
- Timetable for completion, approval and review of the Corporate / Strategic Plan of each corporation sole.

**Audit Committee**

- Composition and function including agreed terms of reference and meeting schedule including a calendar of business.
- Consideration of assurance arrangements for each corporate sole – An assurance protocol.

**We will assess compliance with the “Financial Management Code of Practice for the Police Service of England and Wales” including the following:**

- The identification of Chief Finance Officer roles within the Force and the Office of the PCC.
- Compliance with the requirements of public reporting responsibilities.
- Communication and openness.
- Delivery of the statutory responsibilities of the Chief Finance Officer of the PCC as set out in section 4.1 of the Financial Management Code of Practice for the Police Service of England and Wales.
- Delivery of the statutory responsibilities of the Police Force Chief Finance Officer as set out in section 4.2 of the Financial Management Code of Practice for the Police Service of England and Wales.
- Use of an Information Sharing Protocol.
- Preparation and approval of a scheme of consent.
- Preparation and approval of Financial Regulations and Standing Orders on Contracts as set out in section 6 of the Financial Management Code of Practice for the Police Service of England and Wales.
- PCC policy on reserves and provisions.
- Financial planning and budget setting arrangements.

**Limitations to the scope of the audit:**

- This audit covered only those areas listed above.
- We planned and completed our testing to provide assurance that key policies and procedures were in place; this included a gap analysis to identify any policies or procedures that were not in place but were detailed with the APACE Corporate Governance Framework. We did not provide assurance that they were being implemented or adhered to.

- We did undertake testing to confirm that Financial Regulations and Standing Financial Instructions were in place.
- We did not undertake any detailed testing on the content of the Financial Regulations or the Standing Financial Instructions.

The approach taken for this audit was a System-Based Audit.

#### 1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

##### Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	1
Application of control framework	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>

The recommendations address the risks within the scope of the audit as set out below:

Area	Priority		
	High	Medium	Low
Framework	0	0	1
Police and Crime Plan / Corporate Plan	0	0	0
Audit Committee	0	0	0
Financial Management Code of Practice	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>

## 2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	
Medium	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	The Office of the PCC should consider developing an overarching Code of Corporate Governance which details the governance arrangements in place.	Low	Y	Recommendation accepted	End June 2013	Chief Finance Officer & Deputy Chief Executive, OPCC

### 3 FINDINGS AND RECOMMENDATIONS

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 audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Area 1: Framework</b>					
.1	<p>There is a:</p> <ul style="list-style-type: none"> <li>▪ Statement of Corporate Governance</li> <li>▪ Code of Corporate Governance</li> <li>▪ Scheme of Corporate Governance</li> </ul> <p>in place which are in line with the APACE Corporate Governance Framework.</p>	No	<p>Through discussions with the Chief Executive of the PCC and the Chief Finance Officer of the Office of the Police and Crime Commissioner for Cleveland (CFO of PCC) we noted there was no Statement or Code of Corporate Governance in place. The CFO of PCC advised that there were a range of documents which covered these areas including: Financial Regulations, Financial Management Code of Practice, Contract Standing Orders and Whistle Blowing Policy. However an overarching Statement/Code had not been produced by the CFO of the PCC.</p> <p>Failure to document the governance arrangements in place may lead to the PCC failing to receive the appropriate information they require to discharge their duties.</p>	<p>The Office of the PCC should consider developing an overarching Code of Corporate Governance which details the governance arrangements in place.</p>	Low