

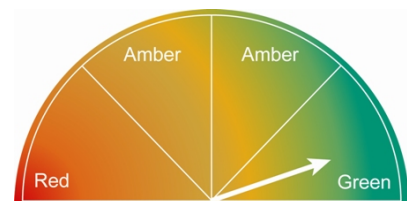
Cleveland Police Authority

Capital Contracts

Internal Audit Report 10.10/11
April 2011

FINAL

Overall Opinion



CONTENTS

Section	Page
Executive Summary	11
Action Plan	4
Findings and Recommendations	5

Debrief meeting	10 March 2011	Auditors	Ian Wallace, Director
Draft report issued	14 March 2011		Susan Turner, Senior Manager
Responses received	16 March 2011		Martin McDonagh, Senior Auditor
Final report issued	17 March 2011 & 4 April 2011	Client sponsor	Ann Hall, ACO, Finance & 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

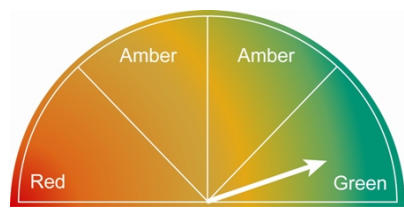
An audit of Capital Contracts was undertaken as part of the approved internal audit periodic plan for 2010/11.

Since 2007 Cleveland Police Authority has adopted a more strategically focused approach towards developing its Capital Plan which has enabled the capital programme to be built around schemes aligned with strategic objectives. Within this approach funding has been retained for in – year capital projects which are approved on a case by case basis.

A Capital Plan for the period April 2010 to March 2014 has been developed. It included capital funding for the Information Systems Improvement Strategy, Air Support Programme, Facilities Programme, ICT Programme and Fleet Programme. The overall purpose of the programme was to provide sufficient funding to renew the current asset base, equipment replacement programmes and business continuity requirements whilst at the same time maintaining flexibility to respond to schemes arising from programmes still in development.

The Capital Plan planned for capital expenditure of £10,209,000 in 2010/11, £3,673,000 in 2011/12, £4,235,000 in 2012/13 and £2,473,000 in 2013/12. The Plan includes a provision for Business Cases of £204,000 for 2010/2011 and £249,000 for 2013/14 which is used to fund capital projects in year.

1.2 CONCLUSION



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

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

- The Capital Plan is prepared on a four year basis and is approved by the Police Authority Executive on annual basis.
- The Capital Plan includes four schemes covering Facilities, ICT, Air Support and Fleet Replacement. In addition it includes a provision for business cases approved in year.
- To access the capital funding in year a business case must be submitted to the Head of Corporate Finance for the initial vetting process which involves whether the business is appropriate for capital funding. If the business case is suitable it is approved under delegated authorities. The delegated authorities are detailed within the Code of Corporate Governance; the Chief Constable has the delegated authority to approve all capital schemes up to £25,000 over which limit capital schemes must be approved by the Policy and Resources Panel. All in year additions to the Capital Programme approved under the delegated authorities are notified to the Police Authority through the Policy and Resources Panel.

- The business case includes an assessment of the background, project scope, objectives, urgency, benefits and the financial implications of the project. The background assessment captures the reason for the capital project; the project scope details the inclusions and exclusions in the project and sets the boundaries for the project; the objectives detail the expected outcomes; the urgency details the required timescales; the benefits captures the benefits associated with the project for people, problem solving, partnerships and professionalism and the financial implications covers the costs and wider financial implications for the organisation. Within the business case a risk assessment is performed against the risk of non-delivery and various project risks.
- Cleveland Police Authority has Contract Standing Orders and Procurement Principles which are used to ensure that any capital expenditure achieves 'value for money' and if appropriate the Contract Standing Orders are applied to capital projects.
- All capital payments associated with approved capital projects are approved using the e-procurement system by raising a purchase order which is used to authorise the invoice for payment and receipt the goods prior to the release of payment.
- The management accounts function monitor all capital projects on a monthly basis to confirm spend to date and to ensure that any spend associated with Capital Projects has been appropriately capitalised.
- The Policy & Resources Panel receives a capital monitoring report to enable it to formally monitor the capital projects and the overall capital programme.

Application of and compliance with control framework

- A Capital Programme 2010/2011 was developed and submitted to and approved by the Police Authority Executive on the 25th February 2010. Capital Programme allowed for £10,209k capital expenditure in 2010/2011.
- We confirmed that where appropriate business cases are being prepared to access capital funding for projects in year which are submitted to the Head of Corporate Finance before being approved under the delegated authorities specified within the Scheme of Delegation. All approvals in year were reported to the Policy and Resources Panel.
- We confirmed that the business cases prepared included completed sections on Business Case and Proposal, Benefits, Financial and Resource Implications, Risks, Resource Implications and Consultation and Authorisation. We confirmed that where appropriate capital projects had followed the Contract Standing Orders or an exemption had been raised and approved by the Audit and Internal Control Panel.
- We confirmed that capital payments for the schemes were appropriately authorised with an approved purchase order being raised for each project.
- We confirmed that each capital project is subject to monthly monitoring and that monthly capital monitoring reports are produced.
- We confirmed that the Policy and Resources committee receives a Capital Report.

1.3 SCOPE OF THE REVIEW

The objective of our audit was 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:

Limitations to the scope of the audit:

- Testing was performed a sample basis, therefore we cannot provide assurance on the accuracy of all transactions.
- We have not provided an opinion on the suitability of contracts for force operations.
- Our work does not provide absolute assurance that material error, loss or fraud does not exist.

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	0
Application of control framework	0	0	0
Total	0	0	0

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

Area	Priority		
	High	Medium	Low
Approval Process	0	0	0
Compliance with legislation and CPA Standing Orders	0	0	0
Monitoring Arrangements	0	0	0
Authorisation of Payments	0	0	0
Reporting	0	0	0
Total	0	0	0

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
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
No finding or recommendations have been made.						

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
No finding or recommendations have been made.					