

# RSM Tenon

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CLEVELAND POLICE AUTHORITY

Internal Audit Annual Report – DRAFT

Year ended 31 March 2011

Presented at the Audit and Internal Control Panel meeting of: 21 April 2011

Please Note: This is a draft report subject to finalising the outstanding reports and our internal QA process

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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.

This report is prepared solely for the use of Authority and senior management of Cleveland Police Authority. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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## 1 INTRODUCTION

### 1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Cleveland Police Authority's assurance cycle and if used properly can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Authority and Audit and Internal Control Panel.

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

### 1.2 Governance Statement

Under Regulation 4[2] of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit [Amendment] [England] Regulations 2006, authorities are required to publish a statement on internal control. From 2007/08, authorities have had to publish an annual governance statement in line with the CIPFA/SOLACE Good Governance Framework to meet that statutory requirement.

As your internal audit provider, the assignment opinions that RSM Tenon provides the organisation during the year are part of the framework or assurances that assist the Authority prepare an informed governance statement.

## 2 INTERNAL AUDIT ASSURANCE FOR 2010/2011

### 2.1 Context

As the provider of the internal audit service to Cleveland Police Authority we provide the Authority through the Audit and Internal Control Panel with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Authority is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

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. This report is prepared solely for the use of Authority of Cleveland Police Authority and its senior management team. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

**2.2 Internal Audit Assurance Statement**

This annual Head of Internal Audit opinion is provided to Cleveland Police Authority by RSM Tenon Limited.

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Cleveland Police Authority's arrangements.

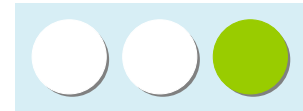
For the 12 months ended 31 March 2011, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Cleveland Police Authority's arrangements for governance, risk management and control is as follows:

Red    Amber    Green

**Governance**

A positive opinion.

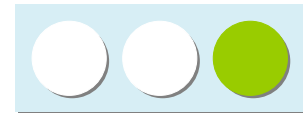
Our review of the SUM Questionnaires confirmed that appropriate evidence was in place.



**Risk Management**

A positive opinion.

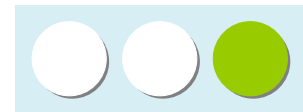
There is a Risk Management Framework in place which is applied consistently.



**Control**

A positive opinion.

We have issued two amber/green reports during the year; all of the recommendations were accepted by management and actions are being implemented to address the risks identified.



The remaining reports for 2010/11 received a green assurance level.

### 2.3 Scope of the Internal Audit Opinion

In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2011 (see Appendix A for a risk map of our internal audit assurances and Appendix B for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- All recommendations have been accepted by management;
- The affects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports or other assurance providers to the Audit and Internal Control Panel and/or Authority;
- No limitations have been placed on the scope of internal audit;
- There have been no resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- The proportion of the organisation's internal audit needs that have been covered to date.

### 2.4 The Basis of the Opinion

#### Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

### 2.5 Governance Statement

The overall opinion may be used by the Authority in the preparation of the annual governance statement. Issues commented on in paragraph 2.4 are considered of particular relevance.

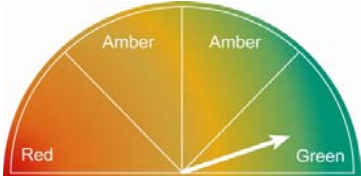
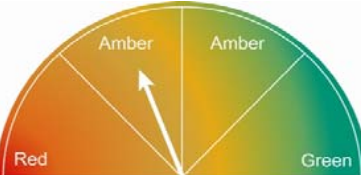
### 2.6 Conflicts of Interest

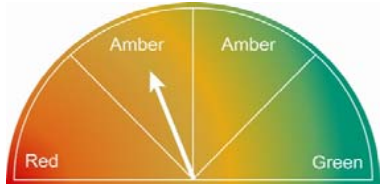
We have not undertaken any work or activity during 2010/11 that would lead us to declare any conflict of interests.

## 2.7 Benchmarking data

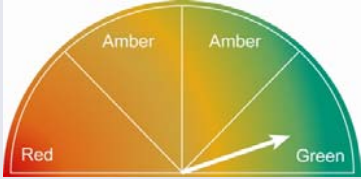
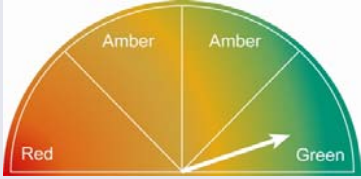
The benchmarking data will be included in the final report.

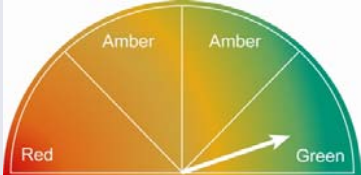
**APPENDIX A: INTERNAL AUDIT ASSURANCE MAP 2010/2011**

Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
Corporate Governance – SUM Questionnaires	Strategic Risk Register	<p>Key findings included:</p> <ul style="list-style-type: none"> <li>The Annual Service Unit Assessments were fully completed and where Service Unit Managers disagreed with an assurance statement an action plan was produced.</li> <li>The Service Units had retained evidence to support the assurance statement and through discussions held with a sample of Service Unit Manager its was confirmed that they understood the assurance available and the assurance activities performed within their Service Unit to support the completion of the Annual Service Unit Assessments.</li> <li>A Summary of Responses from the Service Unit Assurance Questionnaires was submitted to the Audit and Internal Control Panel on 3<sup>rd</sup> June 2010.</li> <li>The Audit &amp; Internal Control Panel received monitoring reports on Annual Governance statement on the 8<sup>th</sup> December 2010 and 10<sup>th</sup> February 2011.</li> </ul>	
HR Policies and Procedures	Strategic Risk Register	<p>Key findings included:</p> <ul style="list-style-type: none"> <li>A Corporate Development Framework is in place which details the roles and responsibilities for the implementation and maintenance of policies and procedures. The Framework aims to ensure that up to date, clear and standardised policies and procedures are available to officers and staff to support their activities and minimise risk.</li> <li>Testing identified that numerous policies had not been reviewed or updated for several years and we identified instances where national guidance had not been incorporated into existing policies and procedures.</li> <li>At the time of the audit the Strategic Development Group had</li> </ul>	

		<p>approved the Disciplinary Policy for Police Staff Policy and the Attendance Policy is due for approval at the next Strategic Development Group meeting. There are numerous policies that require review and updating.</p> <ul style="list-style-type: none"> <li>▪ The Policy Registrar at the Force is responsible for co-ordinating the consultation process. A consultation timescale of 28 days has been stipulated in the Corporate Governance Framework and communicated to all Service Units. Testing during the audit identified that comments received after the consultation period had been accepted.</li> <li>▪ There is Equality Impact Assessment (EIA) guidance and a standard pro-forma in place to facilitate the review of the policy against the six strands of equality and diversity. At the time of the audit no EIA's had been completed for the policies which had been submitted to Corporate Planning and Governance.</li> <li>▪ We tested compliance with the Maternity, Redeployment and Acting Up procedures and identified instances of non-compliance.</li> </ul>	
<p>Data Quality / Data Accuracy</p>	<p>Strategic Risk Register</p>	<p>Key Findings included:</p> <ul style="list-style-type: none"> <li>▪ Regular District Crime Management Units audits are undertaken bi-monthly and monthly audits</li> <li>▪ There has been a focus on audits of anti-social behaviour and we confirmed that quarterly reports have been prepared and communicated by the Force Crime &amp; Incident Registrar to the Strategic Performance Group.</li> <li>▪ Monthly Performance Reports (MPRs) were available for review during the time of the audit. This confirmed that key targets for the Unit had been discussed and monitored with the ACC.</li> <li>▪ The Force Data Quality Strategy was in draft at the time of the audit.</li> <li>▪ The quality of data in IRIS raised concerns regarding the identification of individuals and the value of the intelligence available.</li> </ul>	

Other Coverage			
Area	Rationale for coverage	Headline Findings	Assurance
Key Financial Controls	Coverage for External Audit reliance or to meet regulatory requirements.	<p>There was a sound framework of controls that were applied consistently. Key findings included:</p> <ul style="list-style-type: none"> <li>All journal entries had been appropriately authorised before being uploaded into the General Ledger.</li> <li>Reconciliations of the payroll, sales and purchase ledger control accounts, suspense accounts and bank accounts had been completed on a monthly basis.</li> <li>Month end management accounts had been produced detailing actual income and expenditure to date against budgeted income and expenditure.</li> </ul>	
Budgetary Control	Coverage for External Audit reliance or to meet regulatory requirements	<p>There was a sound framework of controls that were applied consistently. Key findings included:</p> <ul style="list-style-type: none"> <li>As at period five the Force was forecasting an outturn position of £350K under spend.</li> <li>The budget reports for period P06, P05 and P04 and confirm the reports had been made available on the 2<sup>nd</sup> working day. Management Accounts maintain a tracking spreadsheet to ensure returns are made in a timely manner.</li> <li>We obtained and reviewed the Policy and Resources Committee minutes for March 2010, June 2010 and August 2010 and confirmed that the budgetary position was discussed. This included the identification of funding restrictions and prioritising reductions to ensure a balanced budget is maintained.</li> </ul>	
Assurance Stocktake	Annual Assurance Area	The Force and Authority have made significant progress in developing a risk management framework. The Force has a Strategic Risk Register and a series of Corporate Risk Registers which identify the risk, cause and effect, existing controls and any actions required to	ADVISORY

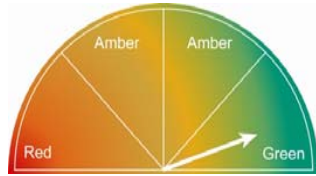
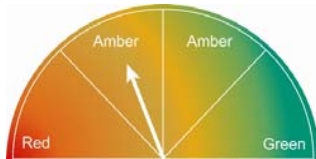
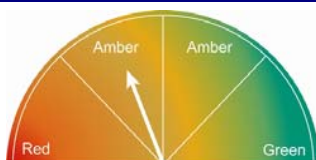

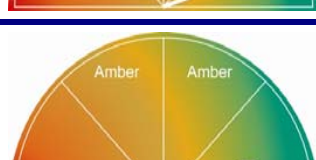
		<p>address the risk. The Authority has a strategic risk register in place.</p> <p>The Force and Authority have an awareness of the assurances available however the assurances have not been mapped against the controls on either risk register. This results in gaps in assurance not being identified and addressed.</p>	
Project I – Governance Framework		To be completed.	
Contract Monitoring / Management	Cyclical Coverage	<p>The Procurement Transformation Project sought to improve the overall management of contracts through the use of Category Management. Each member of the Commissioning Unit has been assigned a number of categories from which to assist contract owners in monitoring the performance and compliance of contractors.</p> <p>Key findings included:</p> <ul style="list-style-type: none"> <li>Where applicable, the contract owner had established appropriate controls to monitor contractors against relevant key performance indicators. In each case, the indicators directly related to those identified in the original contracts.</li> <li>The contract owners undertake various exercises to assess the quality of work implemented.</li> <li>The Commissioning Unit provides a central contact point for guidance and advice</li> <li>The on-going financial viability of contractors was not monitored.</li> </ul>	
Compliance with Contract Standing Orders	Management Request	<p>Key findings included:</p> <ul style="list-style-type: none"> <li>Contract Standing Orders &amp; the Procurement Principles Policy are in place and provide a clear regulatory framework for those involved in the contracting and procurement process. The Policy was last reviewed in April 2009 and is available to all staff via a shared drive. The Standing Orders are supported by comprehensive procurement procedures which provide guidance on the operational activities of the procurement process.</li> </ul>	

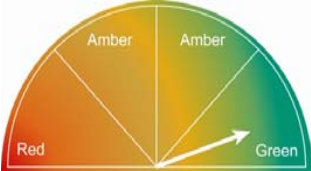
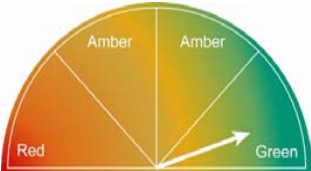
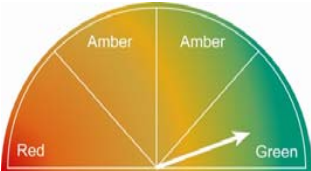
		<ul style="list-style-type: none"> <li>▪ There is a three year Procurement Strategy in place which promotes the achievement of value for money in the procurement of goods and services. The strategy is linked to other key documents such as the Commissioning Business Plan, Corporate Estates Strategy, Fleet Management Strategy and Environment Strategy.</li> <li>▪ There was adequate segregation of duties evidenced during the audit throughout the procurement and contracting process with regard to requisition, commitment, receipt and payment.</li> <li>▪ Purchase Cards are used in order to purchase stationary for the organisation. The card is held at HQ, with approved suppliers aware of card account details. It is the responsibility of each Service Unit that has been issued with a purchasing card to ensure expenditure against it is monitored accordingly. On a monthly basis the cards are reconciled to the procurement card statements to ensure legitimate transactions have been made.</li> <li>▪ The Contract Standing Orders require each Service Unit to maintain a probity register of any gifts or hospitality received. We observed propriety registers in place in ICT and CBU and staff were aware of their responsibilities with reference to receiving gifts/hospitality.</li> </ul>	
<p>Capital Contract Audit</p>	<p>Management Request</p>	<p>Key findings included:</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ 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</li> </ul>	

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		<p>appropriate capital projects had followed the Contract Standing Orders or an exemption had been raised and approved by the Audit and Internal Control Panel.</p> <ul style="list-style-type: none"><li>▪ We confirmed that capital payments for the schemes were appropriately authorised with an approved purchase order being raised for each project.</li><li>▪ We confirmed that each capital project is subject to monthly monitoring and that monthly capital monitoring reports are produced.</li><li>▪ We confirmed that the Policy and Resources committee receives a Capital Report.</li></ul>	
Follow Up		To be completed.	

**APPENDIX B: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2010/2011**

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Corporate Governance		0	0	0	0	NA
HR Policies and Procedures		0	5	2	7	7
Data Quality / Data Accuracy		1	2	0	3	3
Key Financial Controls		0	0	0	0	NA
Budgetary Control		0	0	1	1	1
Assurance Stocktake	ADVISORY	1	1	0	2	

Auditable Area	Assurance Level Given	Number of Recommendations made				Agreed
		High	Medium	Low	In Total	
Project I – Governance Framework						
Contract Monitoring / Management		0	1	0	1	1
Compliance with Contract Standing Orders		0	1	2	3	3
Capital Contract Audit		0	0	0	0	NA
Follow Up						