



## Cumbria Shared Internal Audit Service

### Internal Audit Report for Cumbria Constabulary



## Code of Corporate Governance

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## Audit Resources

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## Audit Report Distribution

For Action:	Roger Marshall (Chief Finance Officer)
For Information:	Michelle Skeer (Deputy Chief Constable)
Audit Committee:	The Joint Audit & Standards Committee, which is due to be held on 15 <sup>th</sup> March 2017, will receive the report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

## Cumbria Shared Internal Audit Service

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## 1. Background

- 1.1. This report summarises the findings from the audit of Cumbria Constabulary's Code of Corporate Governance. This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.
- 1.2. The CIPFA / SOLACE Delivering Good Governance in Local Government Framework was revised to comply with international standards, with effect from April 2016. The Chief Constable is required to set out his governance framework on an annual basis in a Code of Corporate Governance that reflects the seven principles outlined in the CIPFA Framework.
- 1.3. The Code of Corporate Governance is important to the organisation because it is a key element of the overall governance framework. A good governance framework establishes a high degree of transparency, fairness, standards and accountability to the public that contribute to efficient and successful achievement of policing objectives.
- 1.4. The Chief Constable is responsible for putting proper governance arrangements in place within the Constabulary and is held to account on the adequacy and effectiveness of the arrangements by the Police and Crime Commissioner.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Chief Constable's Chief Finance Officer. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:

- Arrangements put in place to ensure compliance with the revised CIPFA Delivering Good Governance Framework introduced in April 2016. Testing will incorporate areas of notable change in the Constabulary's Code of Corporate Governance.

2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within the arrangements for developing and maintaining a Code of Corporate Governance provide **reasonable** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There is 1 audit recommendation arising from this audit review and this can be summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. <b>Management</b> - achievement of the organisation's strategic objectives (see section 5.1.)	-	1	-
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2.)	-	-	-
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.3)	-	-	-
4. <b>Security</b> - safeguarding of assets (see section 5.4)	-	-	-

5. Value - effectiveness and efficiency of operations and programmes (see section 5.5)	-	-	-
<b>Total Number of Recommendations</b>	-	<b>1</b>	-

4.2.1. Strengths: The following areas of good practice were identified during the course of the audit:

- Responsibility for developing and maintaining an up to date Code of Corporate Governance has been allocated to the Chief Constable's Chief Finance officer.
- The Code of Corporate Governance was updated to reflect the CIPFA Delivering Good Governance Framework introduced in April 2016 on a timely basis.
- Staff with appropriate knowledge, skills and seniority were nominated to contribute to the update.
- Arrangements are in place to oversee ongoing compliance and ensure the seven principles of good governance are fully embedded.
- Documented arrangements are in place to support statements made in the Code of Corporate Governance for example plans, strategies, policies and procedures.

**4.3 Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

**4.3.1 High priority issues:**

- No high priority issues were identified

**4.3.2 Medium priority issues:**

- The Constabulary are unable to demonstrate the level of consultation, scrutiny and challenge undertaken around the development of the Code of Corporate Governance to those charged with approval and sign-off.

**4.3.3 Advisory issues:**

- No advisory issues were identified.

**Comment from the Deputy Chief Constable:**

I am happy that the audit revealed that the arrangements for producing the Constabulary's Code Of Governance were found to be robust and will take note of the need for greater transparency and documentation of the process.

## 5 Matters Arising / Agreed Action Plan

### 5.1 Management - achievement of the organisation's strategic objectives.

● Medium priority

Audit finding	Management response
<p><b>(a) Preparation &amp; Approval</b></p> <p>In March 2016 the Chief Constable's Chief Finance Officer sought input from other senior officers to update the Code of Corporate Governance to address the new requirements of the CIPFA Delivering Good Governance Framework. A deadline for contributions was set to allow sufficient time for consultation, finalisation and approval.</p> <p>The process was conducted largely on an informal basis through telephone calls and face to face conversations. As a result the level of consultation, quality assurance activity, scrutiny and challenge cannot be fully confirmed to demonstrate that the Code of Corporate Governance addresses all aspects of the guidance, captures all new requirements and is an accurate reflection of the Constabulary's governance framework.</p> <p>The Code of Corporate Governance was reviewed by the Joint Audit &amp; Standards Committee in May 2016 but formal sign-off was not obtained through Chief Officer Group and documented, as in previous years. Internal Audit are advised that the Chief Constable gave approval in a separate meeting with the Chief Finance Officer in April 2016. The approval arrangements cannot be effectively demonstrated.</p>	<p><b>Agreed management action:</b></p> <p>The findings of the audit in relation to the lack of formal evidence and documentation of the process for constructing and formally approving the Code of Corporate Governance are accepted.</p> <p>As the Constabulary updates its Governance documents for 2017-18, which will be largely completed by May 2017, additional care will be exercised to maintain a clear audit trail of the preparation and approval process.</p>
<p><b>Recommendation 1:</b></p> <p>In future years, supporting evidence of arrangements to ensure compliance with the CIPFA Delivering Good Governance Framework should be presented to those charged with approval and sign-off.</p>	

# Management Action Plan

Cumbria Constabulary | Audit of the Code of Corporate Governance

Risk exposure if not addressed:

- Lack of accountability.
- Reduced ability to respond to challenge.
- Reputational damage.

Responsible manager for implementing:

**CC Chief Finance Officer**

Date to be implemented:

**05/2017**

## Appendix A

### Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	<b>Definition:</b>	<b>Rating Reason</b>
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The controls tested are being consistently applied and no weaknesses were identified.  Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.  Recommendations are no greater than medium priority.
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.  Recommendations may include high and medium priority matters for address.
<b>Limited / None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-compliance with basic controls which leaves the system open to error and/or abuse.  Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.

## Appendix B

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

		<b>Definition:</b>
<b>High</b>	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	●	Some risk exposure identified from a weakness in the system of internal control
<b>Advisory</b>	●	Minor risk exposure / suggested improvement to enhance the system of control

#### Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.