

# Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



## Audit of Constabulary Governance Structure

Draft Report Issued: **7th August 2019**

Final Report Issued: **4th November 2019**

## Audit Resources

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## Audit Report Distribution

For Action:	Jane Sauntson - Director of Corporate Improvement
For Information:	
Audit Committee	The Joint Audit Committee which is due to be held on 20 <sup>th</sup> November 2019 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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# Executive Summary

## 1. Background

- 1.1. This report summarises the findings from the audit of the Constabulary governance structure. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. Effective governance arrangements are important to the Constabulary because they help in achieving the strategic objectives set out in the Police and Crime Plan and drive improvement across the organisation. A good governance framework also establishes a high degree of transparency, fairness, standards and accountability to the public.
- 1.3. The Chief Constable is responsible for putting appropriate 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.
- 1.4. In 2017 the Constabulary took a decision to review its governance structure and a detailed proposal outlining new governance arrangements was prepared. The purpose of the proposed changes to the Constabulary's governance structure was to provide strategic co-ordination of delivery of Cumbria Vision 25 (CV25) and support realisation of its benefits. The new arrangements took effect from April 2018.

## 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 Director of Corporate Improvement. 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:

- The operation of the new Governance Boards

## 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 Constabulary Governance Structure provide **Substantial** 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 **one** audit recommendation arising from this audit review which 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	-	-	-
3. <b>Information</b> - reliability and integrity of financial and operational information	-	-	-
4. <b>Security</b> - safeguarding of assets	-	-	-
5. <b>Value</b> - effectiveness and efficiency of operations and programmes	-	-	-
<b>Total Number of Recommendations</b>	-	-	1

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

- Arrangements are in place, through Extended Chief Officer Group, to hold the leads of each of the four governance boards to account on benefits delivery and current workstreams. The governance structure flowchart clearly states that only decisions regarding strategic direction or growth require escalation to Extended Chief Officer Group thereby delegating authority to boards or individuals to resolve issues, take actions and manage resources.
- Each governance board is Chaired by a Chief Officer or Director to ensure that senior management have oversight and direct the delivery of the five areas of CV25. Boards meet on a monthly basis.
- A detailed report template has been introduced to report workstream progress. The report sets out:
  - the overall RAG rating for each workstream,
  - summary of the current position,
  - key milestones to be delivered over the next three months, including the benefits expected,
  - top three challenges, proposed resolution and impact

- top three upcoming activities for the next reporting period
  - top three projects with which the workstream has interdependencies and;
  - risks.
- Each workstream is assigned to a Senior Responsible Officer and is RAG rated on a two monthly basis (except for IT projects which are RAG rated monthly).
  - Detailed workstream reports feed in to a balanced scorecard which has recently been developed under the five strands of CV25. At the time of our audit the first balanced scorecard had been prepared and was reported to the delivery boards and COG.
  - A decision log is in place for each Board.
  - Actions allocated by the governance boards are noted and tracked and actions are shown as closed on the system when complete.
  - A corporate overview of CV25 risks is provided to Chief Officer Group on a four monthly basis.

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

4.4.1. *High priority issues:*

- None Identified

4.4.2. *Medium priority issues:*

- None identified

4.4.3. *Advisory issues:*

- When changes to proposals, or planned reviews and evaluations, are made these should be formally recorded to provide an audit trail and reported to COG as appropriate.

**Comment from the Deputy Chief Constable**

*Many strengths of the current governance structure are outlined in para 4.3 and it is welcome to see the audit opinion that the mechanism is working effectively. Notwithstanding that, the force Command Team continue to drive continual improvement in many internal processes, and this is particularly true of the governance arrangement as it is likely to be true that improvement can always be made, as well as recognising that these processes must always adapt rather than stay static. I have reviewed opportunities for improvement (this is the work referred to in the management response below) and board chairs and members have collectively recognised that further streamlining of meetings and governance boards would enable us to release organisational capacity whilst maintaining effective control. The work that then flows from this review will aim to drive further iterative improvement to the governance structure and document the advisory issue around process made within the report.*

*M Webster*

*4 November 2019*

# Management Action Plan

## 5. Matters Arising / Agreed Action Plan

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

● **Advisory issue**

Audit finding	Management response
<p><b>(a) Changes to the structure</b></p> <p>A detailed report which proposed changes to the Constabulary's governance structure and approach in order to provide transparency, improve accountability and provide strategic co-ordination for the delivery of CV25 and support realisation of its benefits was prepared in 2017. The proposal was agreed by COG in November 2017 with the new arrangements to start on 1<sup>st</sup> April 2018.</p> <p>Prior to the structure going live a 'Governance Structure flowchart and principles' was agreed at COG in March 2018 which made some changes from the original proposal. Our testing identified that one of these changes ('the one master decision log' which COG agreed, in November 2017, would be maintained by every strand of CV25 and which would be visible to everyone in the Constabulary) has been replaced by individual decision logs for each Board and that these are not visible to everyone in the Force. This change to the governance structure was not captured in COG minutes relating to the governance structure flowchart.</p> <p><b>(b) Review and evaluation of the new structure</b></p> <p>COG minutes from the March 2018 meeting relating to the governance flowchart and principles show that it was agreed that the governance structure would be reviewed at 3 months and evaluated at 6 months. The review and evaluation did not take place as management decided to place reliance on the Internal Audit review of this area as this would provide independent assurance whether arrangements, as documented, are operating effectively. As this work did not commenced until 2019 it would have made sense to document this in COG minutes.</p>	<p><b>Agreed management action:</b></p> <p>Noted that these changes, although discussed, were not captured in the minutes. This will be addressed with immediate effect.</p> <p>The Deputy Chief Constable and his senior management team are undertaking a review of the current governance structure and its associated processes to establish whether it operates effectively to achieve our purposes. This is currently scheduled for completion by the end of November and these specific issues will be documented in the revised terms of reference.</p>

<p><b>Recommendation 1:</b> When changes to proposals, or planned reviews and evaluations, are made these should be formally recorded to provide an audit trail and reported to COG as appropriate.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"><li>• Lack of an audit trail for decisions made to change agreed proposals or planned work and the supporting rationale.</li></ul>	<p>Responsible manager for implementing: <b>Jane Sauntson</b> Date to be implemented: <b>30 November 2019</b></p>

## Audit Assurance Opinions

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

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>
<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.	<p>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.</p> <p>Recommendations are no greater than medium priority.</p>
<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.	<p>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.</p> <p>Recommendations may include high and medium priority matters for address.</p>
<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.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

## 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.

Definition:		
<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.