

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

A

Report of	HEAD OF INTERNAL AUDIT
Subject	INTERNAL AUDIT PROGRESS REPORT
Date	TUESDAY 3 DECEMBER 2013 – 1.00 P.M.
Author :	MR D HARRIS, BAKER TILLY

Purpose of Report

1. This report provides a summary of progress against the Internal Audit Plan 2013/14.

Recommendation

2. The Panel is recommended to discuss the report.

Background

3. The internal audit plan for 2013/14 was approved by the Joint Audit, Risk and Assurance Panel in March 2013.
4. Progress against this plan is summarised in the Internal Auditors Progress Report with copies of high and medium recommendations.

Subject

5. The following reports have been finalised and details are included within this report:

2013/14

- Health and Safety (2.13/14)
- Zanzibar (3.13/14)
- Change Programme (7.13/14)
- Risk Management (8.13/14).

Implications

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: as per individual reports.

Link to Police and Crime Plan: as per audit plan

List of Attachments / Appendices

Appendix 1: Internal Audit Progress Report

Background Papers

Internal Audit Strategy 2013/14 presented to the Audit, Risk and Assurance Panel March 2013.

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Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police

Internal Audit Progress Report

JARAP meeting 3 December 2013

Introduction

The internal audit plan for 2013/14 was approved by the Joint Audit, Risk and Assurance Panel in March 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

We have finalised four reports since our last meeting and these shown in bold in the table below.

Summary of Progress against the Internal Audit Plan

Assignment Reports considered today are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Payroll Provider Review (1.13/14)	FINAL	Green	0	0	2
Health and Safety (2.13/14)	FINAL	Amber / Green	0	1	4
Zanzibar – Advisory (3.13/14)	FINAL	ADVISORY	1 Recommendation agreed – not categorised		
Winsor Review - Payments for Unsocial Hours (4.13/14)	FINAL	Green	0	0	0
HR – Absence Management (5.13/14)	FINAL	Amber / Green	0	3	4
Publication Scheme (6.13/14)	Draft issued – 26 Sept 13				
Collaboration - Governance & Financial Framework (Joint 13/14) <i>(This audit includes a contribution from each of the East Midlands Audit Plans)</i>	Draft issued - 11 Oct 13				
Change Programme (7.13/14)	FINAL	Amber / Green	0	1	6
Risk Management (8.13/14)	FINAL	OPCC – Amber / Green Force – Amber / Green	0	2	4
General Ledger	Quality Assurance				
Payroll (including Pensions and Expenses)	Fieldwork in Progress				
Budgetary Control	28 Nov 13				
Key Financial Controls (systems notes only)	11 Dec 13				
Follow Up	17 Feb 14				
Governance and Delivery of the Police and Crime Plan	18 Mar 14				
Data Security – Use of Tablets	Q4 but exact date TBC				
Zanzibar – Assurance	12 Mar 14 Delayed to May 2014				

Other Matters

Planning and Liaison: We have met with management to discuss the progress of the audit plan and scope the reviews for 2013/14.

The Joint Audit, Risk and Assurance Panel should note that the assurances given in our audit assignments are included within our Annual opinion. In particular the Panel should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified annual opinion.

No common weaknesses have been identified within our final reports so far for 2013/14. Furthermore, no findings to date will impact negatively on the Head of Internal Audit opinion.

Internal Audit Plan 2013/14 - Change Control:

At the last Audit Committee we were requested to delay the review of Governance and Delivery of the Police and Crime Plan to allow for the new Chief Finance Officer to the Police and Crime Commissioner to commence before completing this work.

Management have also requested a delay to the Zanzibar – Assurance review due to a delay in the implementation of the national system.

Internal Audit Team:

Daniel Harris, Director - Head Of Internal Audit

Suzanne Lane, Senior Manager

Completion of 2013/14 Internal Audit Plan (as at 20/11/2013)

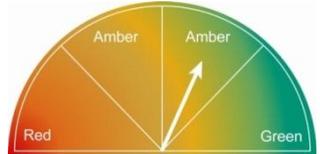
TOTAL YEAR ALLOCATION	153 DAYS
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Year to date used	102 DAYS
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EXPECTED TOTAL DAYS	153 DAYS
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Information and Briefings: We have not issued any updates electronically since the last Audit Committee.

Key Findings from Internal Audit Work (High and medium recommendations only)

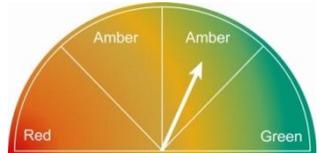
<p>Assignment: Health and Safety (2.13/14)</p>	<p>Opinion: Amber / Green</p>		
<p>In our previous follow up review we provided an adequate progress opinion that previous recommendations were being progressed. Whilst this review covers progress made since then we have also covered additional matters associated with health and safety, which have raised some additional issues on compliance with a well-designed control framework.</p> <p>Our review has noted that good progress has been made to address the underlying issues within the system, although there still are some areas where continued work is required.</p> <p>Design of control framework</p> <p>Testing confirmed that the design of the control framework was adequate and no recommendations have been made.</p> <p>Application of and compliance with control framework</p> <p>We have made one medium priority recommendations arising from the compliance with the control framework:</p> <ul style="list-style-type: none"> Whilst we acknowledge progress is now being made on completion of risk assessments and getting these set up on the Orchid software, there is still some way to go to get these completed and communicated across the Force so that staff / officers can access the information towards managing their own health and safety risks in the workplace. 			
<p>Action</p>	<p>Management Response</p>	<p>Date</p>	<p>Responsible Officer</p>
<p>Rec 4b – Low</p> <p>Whilst accepting that a 100% compliance rate for reporting accidents should be the 'norm' consideration could be given to setting a realistic target which could then be monitored and trends tracked, Where deterioration or continued non compliance is evident these should be more formally reviewed through the Support Manager monthly meeting forum.</p>	<p>Disagreed –</p> <p>The figures available at the time of the audit identified that 11 accidents were reported late to the HSE; however, since responsibility has reverted back to the Health and Safety Unit from Support Managers, only 2 accidents have been reported late within a similar timeframe. Both accidents that were reported late concerned officers who had been placed on restricted duties, as opposed to taking sickness absence. As discussed, while these accidents have been reported late, the fact that they have been identified represents a significant level of progress as we simply would not have been able to identify restricted officers in previous years. In addition, reporting specific accidents to the HSE is a legal requirement and, therefore,</p>	<p>N/A</p>	<p>N/A</p>

	<p>any target which is set at less than 100% would be accepting performance which does not meet legal minimum requirements.</p> <p>Internal Audit Comment</p> <p>Management comments and the improvement since the audit report are noted and the non-acceptance of the recommendation accepted.</p>		
<p>Rec 6 – Medium</p> <p>To ensure that the task to draw up the risk assessments required is progressed and completed.</p> <p>Once finalised these need to be effectively communicated and made accessible to staff for information.</p>	Accepted and agreed	March 2014	Ch/Supt Pandit

Assignment: Zanzibar (3.13/14)		Opinion:	ADVISORY
<p>Conclusion:</p> <p>We have confirmed the status to date on a number of key elements of the control framework as part of the review. In addition we have highlighted where progress is still in hand to deal with some of the key controls over local procedures, access to the P2P system, monitoring of transactions and management / reconciliations etc. We have covered these issues within one overall recommendation on issues arising from the review. Through the process of the review we did confirm the issues arising have been identified as part of the development and implementation process, but the Force are having to work with existing staff resources to implement the system and need to prioritise tasks. There is a particular focus at present on the need to ensure that 'key' issues identified below are prioritised.</p> <p>We have highlighted issues raised from this review as issues linked to the 'design' of controls only, as we have not carried out compliance testing as part of this particular review. These issues have been set out within the Action Plan at section 2 of this report.</p>			
Action	Management Response	Date	Responsible Officer
<p>Rec 2 (not categorised)</p> <p>From our coverage we found the following aspects of actual controls are yet to be determined and actioned. We acknowledge these issues</p>	<p>Training of key procurement staff has commenced whilst the last few non-critical issues are being worked through on the technical side.</p> <p>An early draft of the internal</p>	<p>Phased between 9th September 2013 and 2nd January 2014 (procurement and finance)</p>	<p>Procurement Manager / Procurement & Supplies Officer / Corporate Accountant</p>

<p>are scheduled to be actioned prior to implementation, but have itemised the areas covered in our scope and have highlighted areas where work is still in progress. We have made one overall recommendation to ensure these aspects are taken forward and included in the process leading through to full implementation. The issues highlighted include:</p> <ul style="list-style-type: none"> ▪ The need to ensure the P2P local Procedures are made available to system users as soon as practically possible after initial training is completed. ▪ To determine / confirm actual password requirements/timeframes for changes etc. ▪ To determine actual tolerance levels to be established for matching of orders to invoices. ▪ To confirm what exception reports will be required to be run the system to ensure all required errors / potential anomalies will be sufficiently highlighted for review and resolution. <p>To progress plans through to confirmation of requirements for completion of / monitoring of payments and associated validation, reconciliations / control accounts set ups, so to ensure that the required control framework is established and adhered to once the system goes live.</p>	<p>processes for procurement staff is being worked through with the Corporate Accountant (received 19th September 2013) and will be complimented by the processes for the Accountancy & Budgeting team to ensure an end-to-end set of controls and clearly understood procedures are in place.</p> <p>Go-live will be phased and will not take place before adequate controls and sufficient training has taken place. Prior to this there will be a test of the live system (i.e. all testing has taken place in “test” so far) in controlled conditions with a single order. This will be carefully documented.</p> <p>Where any residual functionality issues with the P2P are likely to attract additional costs to fix, work-arounds are being considered to allow a reasoned decision to take place over the value of commissioning such work. This may result in subtle changes to the way the system is interrogated (an invoice number being visible on a different screen in Sage for example) but will not adversely affect the integrity or controls. Where changes force some user interaction with the data file exported from the P2P and before it is processed by the Sage DIF (the interface), this will have further controls wrapped around it to ensure that the integrity of the system is maintained.</p> <p>All variations to the controls discussed previously will be documented and discussed with RSM Tenon to ensure it is understood why such changes have taken place to give assurance that sufficient</p>	<p>staff between these dates, rolling out to HQ staff from 2nd January 2014)</p> <p>It should be noted that implementation will initially be low volume but will be scaled upwards.</p>	
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	<p>controls (or compensatory controls) exist to maintain integrity.</p> <p>The recommended inclusions to the implementation plan are being worked through and that is not expected to change. In the unlikely event that the implementation plan has to change, RSM Tenon will be consulted so that views and concerns can be shared and taken into account.</p> <p>The implementation date provided assumes the current plan runs smoothly and no further issues are identified. Variations will be communicated should they occur.</p>		
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<p>Assignment: Change Programme (7.13/14)</p>	<p>Opinion: Amber / Green</p>	
<p>The purpose of this audit was to review and provide assurance on the processes adopted by Leicestershire Police within its change management programme to ensure that savings and cost improvements (in excess of £20m and to be achieved by 2016/17) required as part of the Comprehensive Spending Review, are in place and sufficiently robust. If successfully achieved, the programme will help enable the strategic objectives of the Police and Crime Plan issued by the Police and Crime Commissioner for Leicestershire to be attained within the time scales and resources available.</p> <p>The Change Programme has been in place since 2009 and the previous phases ended in April 2012. This has resulted in reported cost reductions of over £22m. (2009 -11 = £15m and 2011 – 12 = £7m). However, this next stage requires a different approach and needs to address issues relating to Transformational, Transactional and Cultural Changes.</p> <p>The organisation has produced a Change Programme Strategy 2012 -16 (Strategy for Change) which supports the organisations strategic priorities and the strategic objectives of the Police and Crime Plan. This strategy was approved by the Police and Crime Commissioner soon after his appointment in the latter part of 2012.</p> <p>The Change Programme 2013 – 2017 has been developed in line with the Force Strategic Priorities to produce a comprehensive suite of change options to create a Force that is fit for 2016/17 within the funding available and deliver the Police and Crime Plan within these constraints.</p> <p>In order to achieve this, a Change Team has been set up to provide programme management, consisting of a Chief Superintendent, Chief Inspector, Inspector and specialist project management staff. There is also a team of staff involved in a Continuous Improvement Programme and staff designated as Special Points of Contact (SPOC) in order to liaise between the Change Team and areas and departments within the organisation.</p> <p>As part of our comprehensive review of the Change Programme we tested controls in place which are designed to achieve the objectives and we also had informative discussions with key members of the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police. These included the Police and Crime Commissioner, OPCC Chief Finance Officer, Acting Chief Constable, Acting Deputy Chief Constable, Force Director of Finance, Head of Finance, Director of HR, and Head of Workforce Planning, representatives of Unison</p>		

and the Police Federation, and members of the Change Team Management.

Our discussions revealed that all of the staff were committed to achieving the change programme and aware of the importance of doing so. They all appreciated the need for change and the amount of work already undertaken and still required.

We reviewed the Change Programme 2013 – 17, the Change Plan for 2014/15 and the appendices which outline the on-going project options. This is considered to be a comprehensive document but it is appreciated that there will be continuous updates as new projects are identified and progressed.

We noted that ideas for cost savings and change were sought from all levels of the organisation and that approximately seven hundred options were generated. These were collated into general headings by the Change Team and considered for viability and practicality. Those considered to be suitable were progressed further. Processing change projects is only one part of the Change Programme and other aspects include a cultural change programme to help deliver the transformational change, Within this is a scheme called “Go make a Difference” which has been instigated by a third party consultancy company, (this scheme has now concluded but further involvement with this scheme are currently being considered), in addition to an active Continuous Improvement Team.

All of these schemes place a demand on the capacity of the Change Team. A number of new programmes of work, under the transformational change element are being progressed, including Local Policing and Demand Reduction. In order to effectively provide the evidence basis needed for change outside consultants have been employed. To ensure that work in the Change Management Team is effective and expanded into the future, resource capacity and capability needs to be reviewed.

In conclusion, whilst it is considered that the processes in place at this current time are sufficiently robust to help to achieve the OPCC and Force strategic objectives and achieve the cost reductions required for the 2013 – 17 period, it is important that the Change Programme be subject to constant review and update.

It is important to ensure that the Change Programme is kept under constant scrutiny as whilst monitoring of current and 2014/15 projects are reasonably clear and results are tangible, the reductions required for 2016/17 and beyond rely upon processes that are yet to be put in place and in some cases are reliant upon aspects beyond the immediate control of the organisation.

The key findings from this review are as follows:

Design of control framework

- We noted no significant issues at the time of this audit in respect of the design of the controls in place to achieve the overall objectives.

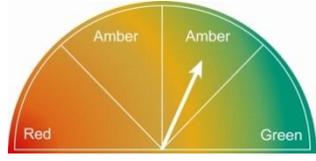
Application of and compliance with control framework

There is one key issue relating to the application of and compliance with the control framework. This has resulted in a medium recommendation and relates to the following:

- In order to ensure that the Change Team are able to fully embrace the new technologies being implemented and to enhance the opportunities for further Continuous Improvement schemes, a review should be undertaken of the capacity and capabilities currently available within the team, any training required or additional resource to ensure the full savings can be achieved.

Action	Management Response	Date	Responsible Officer
<p>Rec 1.15 – Medium</p> <p>In order for the organisation to benefit from further change programmes and Continuous Improvement projects, management should assess the capacity and capabilities of the existing team and consider investing in extra resource in order to review and work with staff to identify savings which will have a long</p>	<p>The Change Team are already reviewing this matter and a Business Case is under development for additional support to enhance capability and capacity. It is envisaged that this will ensure enhanced provision by April 2014.</p>	<p>Apr 2014</p>	<p>Ch Supt Swann</p>

lasting benefit and improve the workings of the organisation.			
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Assignment: Risk Management (8.13/14)	Opinion: OPCC - Amber / Green Force – Amber / Green	
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Design of control framework

We found that the following controls were designed adequately:

FORCE

- A Risk Management Strategy and accompanying Procedures are held that cover the day to day requirements for risk management, monitoring and reporting.
- The Force risk register is recorded on the ORCHID database that produces system e-mails to remind risk and action owners that a review date has been reached.
- Risks are assessed and scored in accordance with a 4x4 matrix that is detailed in the Risk Management Procedures (used by all members of the East Midlands Collaboration).
- All risks and actions are assigned to nominated owners.
- Risk are subject to a monthly review for all those categorised as high with medium and low risk subject to quarterly reviews.
- Reporting is undertaken quarterly to the Strategic Operational Risk Board and to each meeting of the Police and Crime Committee Joint Audit, Risk and Assurance Panel.

The following areas were identified as not having been effectively designed:

- There is no formal risk training programme in operation. This was raised in our previous audit report but has not yet been actioned. A medium priority recommendation has been made to address this.
- Work has still to be done to identify any areas of assurance that can be used to validate that controls identified to manage/mitigate risks are working effectively. Testing has confirmed that work has started to develop an assurance framework, but this has not yet included risk management areas. A medium priority recommendation for both the Force and OPCC has been made to address this issue.
- Whilst recognition of objectives and targets are considered when identifying risks there is no formal mechanism that records the alignment or linkage of risks within the ORCHID system. We understand that this matter, which was raised in a previous audit report, has been discussed by SMT and the decision made that it would not be practical or beneficial to undertake a formal recording process, however this decision has not been ratified by SORB. A low priority recommendation has been made to address this.

OPCC

- Whilst a Risk Management Strategy was endorsed by the then interim JARAP back in December 2012 a formal OPCC dedicated Strategy and accompanying procedures have not yet been developed although the OPCC have been working to the criteria detailed in the Force Risk Management Strategy and Procedures. A low priority recommendation to address this has been made.
- The OPCC assesses risk and scores risk in accordance with the Force directive of a 4x4 impact and likelihood matrix.
- Responsibilities for risk management rest with the CFO who reports through to the OPCC SMT. A decision has been made that in future the OPCC will report on risk to the Force SORB and a low priority recommendation to amend the SORB Terms of Reference to accommodate this has been made.
- Risks are recorded on the ORCHID system and each has been assigned a risk owner as have each action identified to further manage/mitigate the risk.
- High risks are monitored monthly and medium and low risk monitored quarterly and where appropriate these are discussed at the Force SMT meetings.
- Formal reporting on risk is undertaken to each meeting of JARAP and will also be reported to SORB in

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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