

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

PAPER MARKED

A

Report of	HEAD OF INTERNAL AUDIT / CHIEF FINANCE OFFICER
Subject	INTERNAL AUDIT PROGRESS REPORT
Date	WEDNESDAY 26 MARCH 2014 – 1.00 P.M.
Author :	MR D HARRIS / CHIEF FINANCE OFFICER

Purpose of Report

1. This report provides an update of work completed to date against the internal audit plan for 2013/14 and summarises the results of work to date.

Recommendation

2. The Panel is recommended to discuss the contents of 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.

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

None

Persons to Contact

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

Internal Audit Progress Report

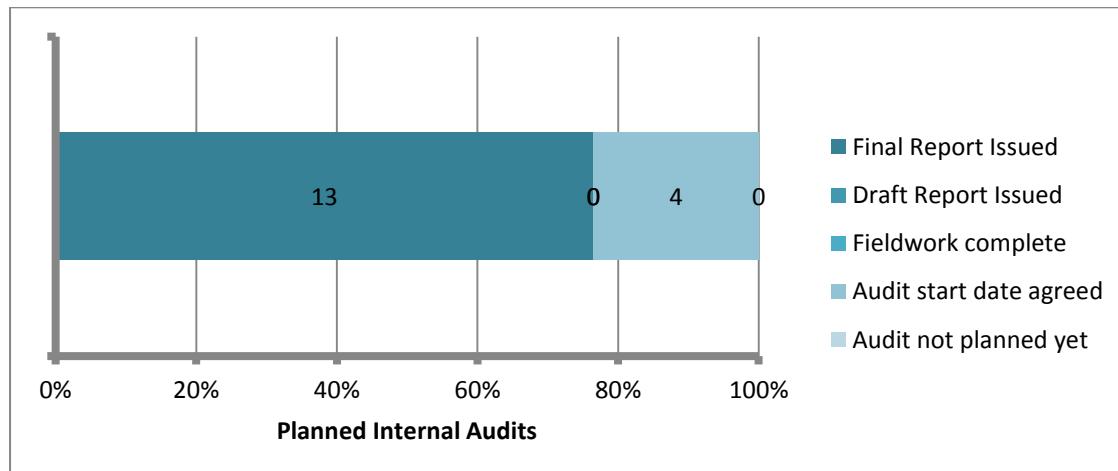
JARAP meeting 26 March 2014

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 three 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)	FINAL	Advisory	6 not categorised		
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 (9.13/14)	FINAL	Green	0	0	1
Collaboration - Governance & Financial Framework (Joint 13/14) <small>(This audit includes a contribution from each of the East Midlands Audit Plans)</small>	FINAL	Amber / Red	0	5	3

Payroll (including Pensions and Expenses) (10.13/14)	FINAL	Green	0	1	0
Key Financial Controls (systems notes only)	Work Complete	No significant changes identified			
Budgetary Control (11.13/14)	FINAL	Green	0	0	0
Follow Up	In QA				
Governance and Delivery of the Police and Crime Plan	In QA				
Governance	Fieldwork in Progress				
Data Security – Use of Tablets	24 Mar 14				
Zanzibar – Assurance	Audit cancelled by management				

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. In addition, we have discussed the audit plan for 2014/15 which is included as a separate agenda item.

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.

Return to Work Update

As requested at the January 2014 JARAP, in addition to the recommendations followed up from our previous report we have also undertaken a small piece of additional work to validate the RTWI compliance figures as reported to the October 2013 JARAP meeting. In the rolling 12 month period between October 2012 and October 2013, 91% of all RTWIs were stated to have been completed; we verified this figure as accurate to the data extracted from the Human Resources (HR) Gateway system by Workforce Planning (WFP).

We noted that the Sickness Procedure stated that 'after every absence, a RTW meeting is held on the first day back or at the earliest opportunity'; and whilst outstanding RTWIs were being regularly monitored and reported on; the timescales between an individuals' first day back and the date that the RTWI was completed was not subject to routine reporting, although these dates were available on the employee records within the HR Gateway system.

We obtained a download from the system to establish the average number of days or number of days in excess of 3 days (which we recall JARAP considered to be a reasonable time at the previous meeting) to get an idea of how long the RTWI were taking to complete. However, it appears that there are some errors in the data so we were not able to get an exact figure, but we can say that they are not all completed within 3 working days and some appear to have taken up to 70 days which is clearly not the next working day or at the earliest opportunity.

We acknowledged that the HR Practitioners were undertaking a weekly review of outstanding RTWI's and manually reminding Line Managers via email to support the timely completion of RTWI's however, the actual completion dates were not being measured against a specific indicator, e.g. up to a week, up to 2 weeks etc.

Internal Audit Plan 2013/14 - Change Control:

Since the last progress report was issued we have been in contact with management regarding the Zanzibar audit work and the decision has now been made by management to cancel this review in 2013/14. The matter will be discussed at a later time for possible inclusion in the 2014/15 audit programme.

Internal Audit Team:

Daniel Harris, Partner - Head Of Internal Audit

Suzanne Lane, Senior Manager

Completion of 2013/14 Internal Audit Plan (as at 14/03/2014)

TOTAL YEAR ALLOCATION 153 DAYS

Year to date used 135 DAYS

EXPECTED TOTAL DAYS 150 DAYS *

- 3 days carry forward to 2014/15 for Zanzibar.

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)

Assignment: Publication Scheme (6.13/14)	Opinion: Advisory Non categorised - 6	ADVISORY
Following a request from the Office of the Police and Crime Commissioner for Leicestershire (hereafter referred to as 'the OPCC'), we have undertaken a review of the OPCC's Publication Scheme to ensure that the OPCC are meeting the requirements of the APCC Guidance – Interim Model Information Scheme in respect of required information and documentation to support their Publication Scheme		

Conclusion

We have made a number of suggestions as part of this review, in particular around ensuring that all the requirements of the Freedom of Information Act are met and the necessary information is made available to the public via the OPCC website.

It is also suggested that all information published on the website should include an indication of when it was last updated, and the OPCC should ensure that any links provided to sources of information are active and direct the reader to the correct and up-to-date information.

Through comparison with other OPCC websites, we noted that the layout adopted by the OPCC improves accessibility of information as it had a dedicated Publication Scheme page. However, we feel that this could be further improved and we have made a suggestion to create sub-pages for each section of the Freedom of Information Act requirements so as to improve navigation around the page.

Recommendation	Managements Response
Rec 3.1 The OPCC should include Section 7 (Services I offer) of the Publication Scheme requirements of the Freedom of Information Act as a sub-section on the OPCC's Publication Scheme page.	All policing services for which a charge can be made (under ACPO's Fees and Charges guidelines) are legally the responsibility of the PCC, details of these are published and maintained on the main Police website, a link to the relevant page will be included on the PCC's website. The PCC does not provide any services aside from this.
Rec 3.2 The OPCC should ensure that information published as part of its Publication Scheme includes details of when it was last updated.	Better Times, who administer the website, have been instructed to add 'last updated' information on the publication scheme page introduction – 14.1.14. This will be also apply to all documents placed on the website e.g. expenses of the Commissioner which in future will include the line at the bottom saying 'updated on'.
Rec 3.3 The OPCC should ensure that the APCC publication scheme requirements are met in full and all required information is published on the OPCC website, and made available to the public (See Appendix A for details).	Work was undertaken late in 2013 to redesign this section of the website and to meet all the APCC requirements. This has now been completed. There is some further work to be undertaken regarding the outcome of Stage 2 transfers and any recommendations made by the Information Commissioners office, when known.
Rec 3.5 The OPCC should ensure that all links to sources of information within the Publication Scheme are active and direct the reader to the correct and up to date information. (See Appendix A for details)	This was completed in December 2013 during a revision of the website. There is now one central page and where information is held elsewhere on the site there are links embedded which take the public to the relevant page, the other pages are updated as and when needed and the links take the reader to the most recent version of the page. As above, the information included will henceforth include the date so the public can see it is the most recent information.
Rec 3.6 To improve accessibility the OPCC should ensure that all relevant information is included within the OPCC's Publication Scheme website page, and include links to information held on the other areas of the website where necessary.	As part of the redesign of the website in December 2013 the publication scheme is now one central page and where information is held elsewhere on the site there are links embedded which take the public to the relevant page. Beside each heading the link reads 'Link to relevant page'
Rec 3.7 To improve accessibility of information, the OPCC could consider creating sub-pages within its Publication Scheme page on the website, each covering one section of the requirements of the Freedom of Information Act.	There is currently one page split into sections with headings and with links. It may require some research as to whether subpages would be more accessible than the information being in one place but under headed sections. We will undertake discussions with our website administrators as to what their previous experiences are having designed multiple websites.

Assignment: General Ledger (9.13/14)	Opinion: Green H - 0 M - 0 L - 1	
Key Findings		
Design of control framework		
We found that the control framework had been adequately designed and controls included:		
<ul style="list-style-type: none"> • A Corporate Governance Framework had been developed which included the Financial Regulations and Standing Orders and had been approved at the Police and Crime Commissioner Joint Audit, Risk and Assurance Panel in December 2012. This document had been made available to staff and officers via the Intranet and was also published externally on the Police and Crime Commissioner's website. • Procedural guidance was held for staff requiring access to the General Ledger (Sage 500) system. We confirmed that a manual was held which outlined step by step guidance for the completion of processes on the GL menu, that it provided clear guidance and included process maps for procedures including: <ul style="list-style-type: none"> ○ Inputting nominal journals, ○ Cost centre enquiries, ○ Transaction enquiries, ○ Account enquiries, and ○ Template forms to use for maintaining audit trails of Journals. • Access to the finance system Sage 500 was restricted to nominated users and these had access rights to various menus within the system based on their role and delegated responsibilities. In order to gain access to Sage, a User Request Form had to be fully completed, approved by their line manager and checked for appropriateness by the Accountancy and Budgeting Manager prior to access being granted. Within the Sage system set user profiles were determined by the nature of the role held by the user and access was periodically reviewed by the Accountancy Manager to ensure that the list of users remained appropriate. Sample testing on 13 Sage users confirmed that the controls were operating effectively. • Staff training was undertaken as required for existing staff when systems or processes were updated or changed. New staff, including those already employed by the Force but transferring roles, completed a range of training sessions to ensure that they had the necessary knowledge to complete tasks on the General Ledger system. All training completed was recorded on a training log which was held by the Accountancy Manager. Each time an element of training was delivered this was marked on the training log by the person delivering the training noting the date it was completed. • A Business Continuity Plan was held covering the processes for disaster recovery and back up of the core systems used in day to day business at the Force. The data on the Sage 500 finance system was subject to scheduled back-ups and were transferred via a System Area Network (SAN) to a secondary site at Euston Street where the data was stored. I.T maintained a log to confirm if the back-ups were successful and once a quarter a third party organisation Adam Continuity, assist I.T. in conducting disaster recovery testing to assess the effectiveness of the systems and processes in place for a sample of the highest risk systems and servers, including the Force Control Room and Finance system servers. We verified that two disaster recovery tests had been completed on the Finance server in the last year and these had been successful. • A chart of accounts was maintained within the General Ledger system. These were added to and amended by finance upon receipt of authorised forms. New cost centres were set up within the ledger to enable balances to be recorded and traced to the appropriate location. Within these cost centres, cost codes identified specifically where balances should be allocated on the ledger. All cost centre and code creations were subject to independent review and approval by Management to ensure that they were appropriate. Testing on a sample of 25 cost centre changes since April 2013 confirmed that the controls were operating effectively. • The annual budget had been uploaded onto the General Ledger for the start of the financial year; this detailed the agreed values and we verified that the budget values loaded onto the ledger agreed to the approved budget for 2013/14 which was £173,489,911. 		

- Journals were completed to move balances on the ledger from one area to another. Each journal input onto the General Ledger was supported by backing documentation to explain why it was required. These were then subject to independent review and approval by the Accountancy and Budgeting Manager. There were several different types of journals including:
 - Payroll,
 - Standard journals,
 - Reversing journals, and
 - Accruals.

Testing on a sample of 25 journals since April 2013 confirmed that the controls were operating effectively.

- Month end checklists were maintained detailing the processes that required completing. These were subject to sign off each month to evidence all tasks had been completed, by whom and when they were completed. These formed part of the Management Performance Files which were signed off by the Accountancy and Budgeting Manager each month and are also submitted to the Head of Finance and Director of Finance for an appropriateness review.
- Control accounts were reconciled on a monthly basis by the Accountancy and Budgeting department. These were then subject to independent review by the Accountancy and Budgeting Manager or the Corporate Accountant. These also formed part of the management performance file which was subject to sign off by the Head of Finance and Director of Finance each month. We found delay in completion of some reconciliations, however, we confirmed by review of documentation provided that management undertook a risk assessment on the work required given the resources available and agreed to those reconciliations that would be delayed.
- Bank accounts were reconciled on a monthly basis by the Accountancy and Budgeting department. These were then subject to independent review by the Accountancy and Budgeting Manager or the Corporate Accountant.
- Suspense accounts were reconciled on a monthly basis by the Accountancy and Budgeting department. These were then subject to independent review by the Accountancy and Budgeting Manager or the Corporate Accountant. This formed part of the management performance file which was subject to sign off by the Head of Finance and Director of Finance each month.
- Trial balances were produced on a monthly basis as part of the month end closedown process and should balance to zero each month. These were completed as part of the management performance files and were therefore subject to independent review and sign off by the Head of Finance and the Director of Finance.

Application of and compliance with control framework

We confirmed that the control framework had been consistently applied and complied with, however, we identified one minor compliance issue which results in a low priority recommendation.

Action	Management Response	Date	Responsible Officer
NO HIGH OR MEDIUM RECOMMENDATIONS MADE			

Assignment: Budget Setting, Control, Monitoring and Reporting (11.13/14)	Opinion: Green H - 0 M - 0 L - 0	
Key Findings		
Design of control framework		
<ul style="list-style-type: none"> We have not made any recommendations relating to the design of controls linked to budget setting / monitoring / reporting control arrangements. 		
Application of and compliance with control framework		
We found that the following controls were adequately applied and complied with:		
<ul style="list-style-type: none"> Financial Regulations and Contract Standing Orders covering both the OPCC and the Force have been issued and are available on the intranet. This sets out the requirements to be followed for budget setting budgetary control and budget monitoring and was introduced by the PCC in December 2012. A Budget Setting Timetable has been set and produced for the 2013/14 financial year. This had been circulated to all budget holders and other interested parties. Budget setting guidance notes were also available although these are not formally approved procedures. They were however circulated to all budget holders. Where appropriate, one to one guidance was given to budget holders by members of the finance team. The budgets are assigned to the primary budget holders, who may devolve some budgets down to the managers within their directorate / area. These managers are also actively involved in the budget setting process. The primary budget holder is however responsible for the overall budgetary management and control. In previous years budget holders were provided with a budget template which they were required to complete and submit to Finance. However the process changed for this financial year and the Management Accountants completed the budgets on the budget holder's behalf. This followed a number of meetings with the budget holders where the budgets were proposed and agreed. This initial submission was then submitted for approval by the Finance Director. The Force budget is prepared by the Finance Director (Force) and submitted to the Police and Crime Commissioner for his agreement and for him to then incorporate this within the overall OPCC budget. The overall budget was then presented by the PCC to the Police and Crime Panel for their note and for agreement of the Local Authority precept. The precept was agreed and submitted to the Local Authority for their approval. The Corporate Governance Framework document contains a section entitled Financial Regulations and Contract Standing Orders. This covers both the OPCC and the Force. Section B of this document is entitled Financial Planning and Control and has a specific section on Virements (page 43). This sets out the overall requirements for virements and set out the responsibilities relating to virements. The document also covers schemes of delegation and delegated authorities in relation to virements. Devolved responsibilities are also covered within the delegated powers and this also included the administration process and a separation of duties is required between authorisation and input of the virements approved. Each month a budget statement is sent out to all budget holders. They are required to review and check the statement and send it back to Finance. They also have regular meetings with their finance contact. Each quarter the budget holders are also required to send back a signed copy of the statement to Finance as evidence that they have reviewed it. A suggestion has been made relating to this control as signed copies are not all retained together. Management accounts are produced on a monthly basis and are reviewed by the Head of Finance and the Director of Finance before issue. They are then circulated to the OPCC, Chief Officer Team, BCU Commanders, Directorate and Departmental Heads and Support Managers. Management accounts are reconciled monthly and we reviewed five budget lines during our testing to confirm that they agreed to the ledger. 		

- OPCC Budgets including the commissioning budget are monitored and managed on a monthly basis in a manner similar to that used by the Force with budget statements produced and reviewed monthly.

Action	Management Response	Date	Responsible Officer
NO RECOMMENDATIONS MADE			

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, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by senior management of the Leicestershire Police and Crime Commissioner and Leicestershire Police and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole or in part, without our written 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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