

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	TUESDAY 28 JANUARY 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.

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

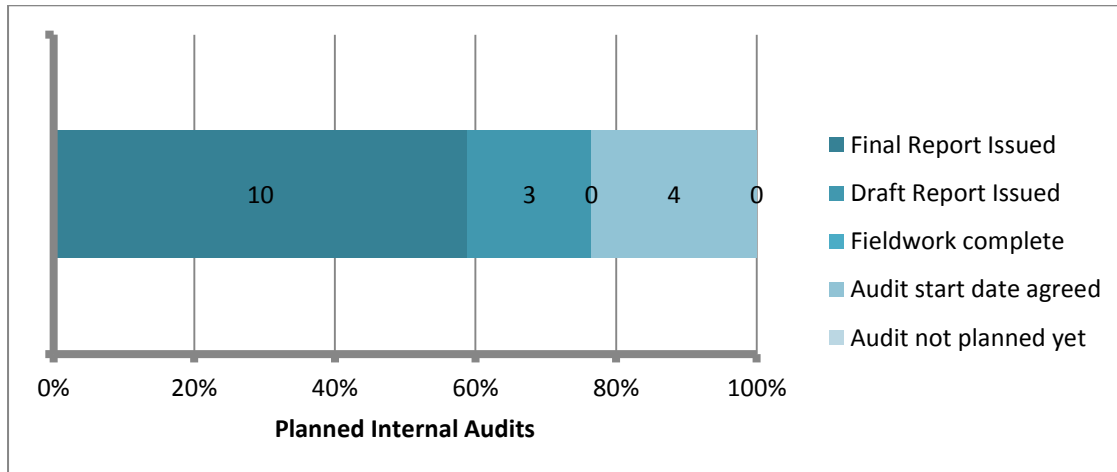
JARAP meeting 28th January 2014

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)	Draft issued – 26 Sept 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 (9.13/14)	Draft Issued – 2 Dec 13				
Collaboration - Governance & Financial Framework (Joint 13/14) <i>(This audit includes a contribution from each of the East Midlands Audit Plans)</i>	FINAL	Amber / Red	0	5	3

Payroll (including Pensions and Expenses) (10.13/14)	FINAL	Green	0	0	1
Key Financial Controls (systems notes only)	Work Complete	No significant changes identified			
Budgetary Control (11.13/14)	Draft issued – 9 Jan 14				
Follow Up	17 Feb 14				
Governance	11 Mar 14				
Governance and Delivery of the Police and Crime Plan	18 Mar 14				
Data Security – Use of Tablets	24 Mar 14				
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:

As we have reported previously 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 07/01/2014)

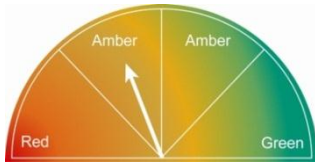
TOTAL YEAR ALLOCATION 153 DAYS

Year to date used 115 DAYS

EXPECTED TOTAL DAYS 153 DAYS

Information and Briefings: We have not issued any updates electronically since the last Audit Committee.

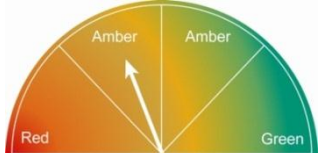
Key Findings from Internal Audit Work (High and medium recommendations only)

<p>Assignment: Collaboration – Governance and Financial Framework (East Midlands Joint Review 2013/14)</p>	<p>Opinion: Amber / Red H – 0 M – 5 L – 3</p>	
<p>Key Findings Design & Application of control framework</p> <ul style="list-style-type: none"> The principles of collaborative activity should be reviewed to ensure that they remain appropriate, given the governance changes and funding cuts that have taken place, within the sector, over the last few years. Ideally, there should be some measurable objectives and outcomes for collaborative activity, in order for the achievement of the unit to be transparent and for the regional forces to clearly understand the benefits that have been received, by collaboration. As the forces across the region, as indeed nationally, have developed local policing plans, there should be something similar for the collaboration. The document could be used to include the Vision, Values, Priorities (opportunity to link to the regional objectives set by Commissioners and any other objectives) and Delivery (sets out how reporting will take place, performance against outcomes and effective actions). There are a number of recommendations within the main body of the report around the Business Cases that are presented. We selected 3 business cases as part of the audit (Occupational Health Unit, Major Crime & Legal Services) and each business case was of a different format, thus making it difficult to confirm that the required information was included. Often the performance outcomes were not specifically included within the business case – therefore it would be and indeed is, difficult to ascertain and measure how successful the project will be. Costings are included, but these need to be more specific in their detail and robustness and provide clarity of what makes up the costs, in addition to obtaining assurances that all forces are using the same approach. Furthermore, as part of this consideration, it may be beneficial to review the funding formula that is used as part of the business case and confirm that it remains appropriate. Other forces utilise a formula that also considers the demand impact and this may be something that could be considered and reviewed, moving forward. In September 2013 a Performance Report was presented to the PCC Board, and it is recognised that this is work in progress – however this is very much needed and it is welcomed. The body of our report makes some suggestions around enhancing the content and detail of the report, to assist the forces, moving forward. The financial performance monitoring has developed significantly over recent months and detailed information is provided. However, it does report back on the information included within the initial business plans and therefore the issue of costs and savings being robustly challenged at that initial business plan stage is key. As part of the audit, we confirmed the accuracy of the data that was being reported – i.e. traced some of the lines in the finance report back to source data. No issues were found. Other forces that we work with, that collaborate, have devised and introduced a specific overarching collaboration agreement setting out the legal and governance framework for the provision of specific services (for example joint protective services). It enables the efficient sign off to collaborative projects, rather than having individual collaboration agreements for each service. This may be something that the Regional forces may wish to consider, moving forward. 		

Action	Management Response	Date	Responsible Officer
<p>Recommendation 1 - Medium</p> <p>The principles of collaborative activity should be reviewed to ensure that they remain appropriate, given the governance changes and funding cuts that have taken place within the sector, over the last few years. Ideally, there should be specific outcomes for collaborative activity, in order for the achievement of the unit to be transparent and for the regional Forces and Police and Crime Commissioners to clearly understand the benefits that have been received, by collaboration.</p> <p>As the forces across the region, as indeed nationally, have developed local policing plans, there should be something similar for the collaboration. The document (Corporate Plan) could be used to include the Vision, Values, Priorities (opportunity to link to the regional objectives set by Commissioners and any other objectives) and Delivery (sets out how reporting will take place, achievement of outcomes and effective actions).</p>	<p>Agreed.</p> <p>This is ongoing. Regional forces are individually considering and reviewing their position in regards to collaboration. A report is to be presented to the PCC Board on 18th December 2013.</p>	December 2013	Phil Whiteley
<p>Recommendation 2 – Medium</p> <p>The same format should be used for each Business Case, clearly stating the author, to assist consistent scrutiny and challenge. The Business Plan should include specific objectives and priorities of the project. For each objective the following should be detailed;</p> <ul style="list-style-type: none"> • Details / Purpose (why / high risk on risk registers) • Cost improvements • Capital Funding • Key risks and management (taken from key risks) • Summary financial plan • Impact on Workforce • Summarised capacity plans <p>The Business Plan, sections e, f & g need to be completed by the individual forces, using a set</p>	<p>Agreed.</p>	March 2014	Phil Whiteley

<p>definition for all costings and savings, to ensure there is consistent approach in reporting the comparative data. The data that is included should be robustly verified to provide assurance that the basis for the Business Plan or project is robust, to benefit all those involved in the collaboration.</p>			
<p>Recommendation 3 – Medium The benefits that are included within the Business Plan should be Specific, Measurable, Achievable, Relevant and Timely. There should be specific measurable deliverables, with a target date to be able to ascertain if the benefit originally identified has been realised.</p>	<p>Agreed.</p>	<p>March 2014</p>	<p>Phil Whiteley</p>
<p>Recommendation 4 – Medium The actual costs that are recorded within the Business Case should be broken down to provide clarity and transparency. Furthermore, it would be useful to include a definition of the costs that are being collated, to ensure consistency and understanding across all the forces to provide assurances that each force is including the correct cost requirements. In addition, the costs that are included within the Business Plan should be robustly checked and confirmed. This check and confirmation should be documented as part of the process. Furthermore, as part of this consideration, it may be beneficial to review the funding formula that is used as part of the business case and confirm that it remains appropriate. Other forces utilise a formula that also considers the demand impact and this may be something that could be considered and reviewed, moving forward.</p>	<p>Agreed.</p>	<p>March 2014</p>	<p>Phil Whiteley</p>

<p>Recommendation 6 - Low</p> <p>It is considered to be beneficial to establish an overarching collaboration agreement, with a specific governance reporting framework for the collaborative projects. Other forces that we work with, that collaborate, have devised an overarching agreement that enables the efficient sign off to collaborative projects.</p>	<p>Disagreed</p> <p>It is inappropriate at this time to have an overarching agreement given the fact that the number of forces involved will vary from collaboration to collaboration. This may be kept under review as collaboration matures.</p>	-	-
<p>Recommendation 7 – Medium</p> <p>It is an essential part of the project management process to complete a final closure report, ultimately a 12 month review. The report will provide assurances that the project has met its original objectives and continues to provide for an effective and efficient approach. Where this is not the case, the report provides the opportunity to highlight any issues and provides the option to reassess and realign operations (including officers in kind) accordingly.</p>	<p>Agreed</p> <p>The production of a final closure report is now built in within the current process and is specifically included within the 'Business as Usual' report, where applicable.</p>	Implemented.	Phil Whiteley

<p>Assignment: Payroll (including Pensions and Expenses) (10.13/14)</p>	<p>Opinion: Green H – 0 M – 1 L – 0</p>	
<p>Key Findings</p> <p><u>Design of control framework</u></p> <p>We found that the control framework had been adequately designed with the exception of one weakness which we have made a medium priority recommendation to address. This related to the mechanisms in place for claiming, authorisation and processing claims for additional payments including overtime and expenses.</p> <p>From review of a sample of 25 claims for overtime and 25 claims for expenses, paid to Police Officers and Support Staff since April 2013, we found that although claim forms had been signed by the claimant and an authorising Officer or Manager; no checks were undertaken on the appropriateness of the authorising signatory; only that the form had been signed. Whilst we acknowledge that the Finance Clerks completed checks against duplicate overtime claims being submitted; there is a risk where claims for overtime, expenses and additional payments are not verified as appropriately authorised, that the claims may be inaccurate and not genuine which could result in fraudulent claims potentially being processed and financial losses for the Force.</p> <p>The following controls had been designed adequately:</p> <p><u>Procedural documentation and training</u></p> <ul style="list-style-type: none"> ▪ Financial Regulations detailed the responsibilities for the maintenance and management of the payroll system. ▪ Policies and procedures were held that detailed the day to day processes for completion for each of the three payrolls; Staff, Officer and Pensions. 		

- Sample testing on user access to the payroll system verified that this was restricted to nominated staff with user rights allocated according to their roles and responsibilities.

Starters

- Authorised documentation was held to support the addition of new starters to the payroll system, including salary, grade and start date.

Leicestershire

- We verified from review of 25 starters that data had been input accurately to the payroll system and subject to independent checking and review.

Derbyshire

- We verified from review of 25 starters that data had been input accurately to the payroll system and subject to independent checking and review.

Leavers

- Authorised documentation was held to support the removal of leavers from the payroll system, including the last date of service and any outstanding hours or pay owed.
- Where notifications were received after the payroll cut of deadlines, potential overpayments were identified and notified to Mouchel; the payroll bureau in order for the payroll record to be corrected. The recovery of outstanding monies and BACS payments to be recalled were coordinated by the Payroll Team.

Leicestershire

- We verified from review of 25 leavers that data had been input accurately to the payroll system and subject to independent checking and review.

Derbyshire

- We verified from review of 25 leavers that data had been input accurately to the payroll system and subject to independent checking and review.

Amendments

- Authorised documentation was held to support the changes made to standing data in the payroll system.

Leicestershire

- We verified from review of 25 changes to standing data for Leicestershire that data on changes of hours, pay and bank details had been input accurately to the payroll system and subject to independent checking and review.

Derbyshire

- We verified from review of 25 changes to standing data for Derbyshire that data on changes of hours, pay and bank details had been input accurately to the payroll system and subject to independent checking and review.

Deductions

- Authorised documentation was held to support the voluntary and involuntary deductions made from the payroll system including childcare vouchers, union membership payments and attachment of earnings orders.

Leicestershire

- We verified from review of 25 deductions for Leicestershire that data had been input accurately to the payroll system and had been subject to independent checking and review.

Derbyshire

- We verified from review of 25 deductions for Derbyshire that data had been input accurately to the payroll system and had been subject to independent checking and review.

Additional payments, overtime and expenses

- Authorised documentation was held to support the additional payments made from overtime and expenses claims input in the payroll system.
- We verified from review of 25 overtime claims that data had been input accurately to the payroll system and had been subject to independent checking and review. Claims had included weekend working, standby payments and mileage.

Checking and payment authorisation

- We reviewed the exception reports for each of the payrolls for Leicestershire and Derbyshire and we confirmed that these had been subject to checking and had been appropriately signed off. Reports included; nil payments reports, net pay variances and claims made after leaving.

- We reviewed the payment run documentation for each of the payrolls for Leicestershire and Derbyshire and confirmed that appropriate authorisation was obtained prior to payroll runs being processed.
- Testing in our General Ledger audit verified that the Payroll Control Account was being reconciled on a monthly basis.
- We reviewed the month end checklist documentation for each of the payrolls for Leicestershire and Derbyshire and confirmed that checks had been completed and signed off by the relevant Payroll Administrators, Assistant Payroll Manager and Payroll Manager; we verified that these had been subject to sign off at month end by the Head of Finance.

Action	Management Response	Date	Responsible Officer
<p>Recommendation 1 – Medium</p> <p>The accepted risks around the processes for additional payments should be clearly documented (including non-checking of appropriateness of authorising signatures) and this should outline how each of the risks are being mitigated, managed to an acceptable level or tolerated.</p>	<p>On average 3,250 additional payments are processed per month. Due to the number of supervisors authorising payments it is not feasible to maintain a list of authorised signatories for claims to be checked against. We have been aware of this risk for a number of years and accept it from an organisational perspective. The Finance Department has been requested to review the requirement for authorised signatories on claim forms as part of the 'Reducing Bureaucracy' project and this work is currently underway. Any changes to the current payment system will be fully documented setting out how the risks are being mitigated, prior to any amendments being implemented.</p>	28/02/2014	Head of Finance

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 the management and Board of our client 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 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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