



Making Suffolk a safer place in which to live, work, travel and invest

**ORIGINATOR: INTERIM HEAD OF INTERNAL AUDIT SERVICES**

**PAPER NO. AC13/8**

**SUBMITTED TO: AUDIT COMMITTEE**

**SUBJECT: ANNUAL INTERNAL AUDIT REPORT – 2012/13**

**SUMMARY:**

1. The report advises the Committee of the work undertaken by Internal Audit in 2012/13 and the conclusions reached.
2. The work undertaken by Internal Audit in 2012/13, summarised within this report, provides an overall statement on the systems of control for inclusion within the 2012/13 Annual Governance Statement.
3. The PCC, through this Committee, is responsible for maintaining an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.
4. There are no significant financial issues arising as a result of this report.
5. There are no significant risks to record in the risk register as a result of this report. Members should be aware that audit coverage is based on an annual risk assessment.

**RECOMMENDATION:**

1. The Committee is asked to acknowledge, from the work undertaken, that it can take assurance in the operation of internal controls.
2. The Committee is recommended to include the following within the Annual Governance Statement for 2012/13:-

“Internal Audit provided an independent opinion on the adequacy and effectiveness of the system of financial control, including in particular the key controls operating within and around the core financial systems.

cont.

Deficiencies in internal control are reported by Internal Audit to management whose responsibility is to consider them and act appropriately. The results of the internal audit review on the effectiveness of the system of internal control were reported to the Audit Committee, and plans to address weaknesses and ensure continuous improvement are in place.

Suffolk PCC and Constabulary demonstrate adequate and effective controls. Whilst the programme of internal (and external) audit work has identified the need to make certain improvements, overall there are no adverse control issues arising for 2012/13. Officers remain vigilant about the need to continue to apply effective controls and Audit Committee members will continue to monitor performance on this. There are no significant audit issues in relation to the main financial systems and controls of the PCC and Constabulary.”

## DETAIL OF THE SUBMISSION

### 1. KEY ISSUES FOR CONSIDERATION:

- 1.1 The report summarises the outcome of the agreed programme of audit work undertaken for the PCC in 2012/13. It also gives the audit opinions for each individual audit undertaken where this is appropriate.

#### **Statutory requirements, additional information, terms of reference and responsibilities of the committee**

- 1.2 Suffolk PCC and Constabulary, through this Committee, are responsible for establishing and maintaining appropriate risk management processes, control systems and operational procedures. Internal Audit plays a vital part in advising the PCC and Constabulary that these governance arrangements are in place and operating properly. Day to day responsibilities lie with the PCC and Constabulary Chief Finance Officers (PCC CFO & CC CFO).
- 1.3 The purpose of Internal Audit is to objectively examine, evaluate and report on the adequacy of, and compliance with, internal controls. Internal Audit carry out a risk-assessed programme of work approved by the Committee, which is at a level necessary to satisfy the legal and professional obligations of the PCC and Constabulary, and also to allow a small contingency for specific projects. There is an extensive programme of audits of central systems and procedures, which is complemented by visits to establishments. Audit work focuses on assessing the extent of compliance with controls.
- 1.4 Internal Audit carries out a programme of work which is at a level necessary to satisfy the legal and professional obligations of the PCC and Chief Constable. The 2012/13 plan was based on an average of 180 audit days per annum. This represented a 5% reduction from the 2011/12 level, which was negotiated with Suffolk County Council following the reduction in funding (Home Office Formula Grant Settlement).
- 1.5 In developing and modernising the statutory role, and in accordance with Best Practice within the profession, Internal Audit has continued to work with the PCC CFO and CC CFO to offer advice concerning new systems, and has included non-financial risks within the scope of audit reviews. In 2012/13, audit work has included specific reviews of controls within systems relating to Risk Management; Estate Management; Sickness Management; Property Controls (Found & Volume Crime); Security Controls; Inventory Management; and Procurement Arrangements.
- 1.6 **Overall, systems of control are acceptable and financial administration systems are generally effective.** More detail and explanation of the terms used are shown at Appendix A and B. However, members should note that assurance cannot be absolute. The preparation and publication of an Annual Governance Statement, in accordance with the Framework for 'Delivering Good Governance in Local Government', is necessary to meet the statutory requirement set out in Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 for authorities to "prepare an annual governance statement in accordance with proper practices in relation to internal control". In 2011/12, a positive statement was also given.
- 1.7 In assessing the level of assurance given for 2012/13, the following have been taken into account:
- a) all audits undertaken;
  - b) all audit testing undertaken;
  - c) audit recommendations made and remedial action consequently agreed (where applicable);
  - d) audit resources available;

- e) the audit risk assessment undertaken in preparing audit plans for the Committee; and
- f) external audit findings.

**Audit Work**

- 1.8 The Audit Committee agreed the Internal Audit Plan for 2012/13 on 30 March 2012 (paper A12/5). A detailed list of the audits carried out in 2012/13 is included at Appendix A.
- 1.9 Each audit results in an opinion of ‘high standard’, ‘effective’, ‘ineffective’, or ‘poor’. Explanations of the meaning of these opinions are as follows:-

<b>High Standard (full assurance)</b>	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives.
<b>Effective (substantial assurance)</b>	Whilst there is basically a sound system of control, there are some weaknesses, which put some of the system objectives at risk.
<b>Ineffective (moderate assurance)</b>	There are weaknesses in key areas in the systems of control, which put the system objectives at risk.
<b>Poor (limited / no assurance)</b>	Control is generally weak leaving the system open to significant error or abuse.

- 1.10 In September 2012, a progress report on internal audit work was reported to the Audit Committee (A12/27). This covered Vetting Procedures; Sickness Management; and Estate Management. A separate, confidential paper on Security Arrangements, due to its sensitive nature, was also reported. These are reported again within this paper, and updated where follow-up work has been undertaken.
- 1.11 Auditees are given a written summary of findings prior to a discussion at the end of the audit, which gives more opportunity for consideration of the matters arising, and their comments on the recommendations made are included in the final report. In accordance with the contract for the provision of internal audit, all audit reports are agreed with the Constabulary’s Financial Services Manager before being sent to the PCC Chief Executive, PCC CFO, the Chief Constable (F.A.O. the CC CFO), and the main auditee. In addition, the Deputy Chief Constable or Assistant Chief Constable receives an e-mailed copy of the report if it falls under their remit.
- 1.12 Where an audit identifies that there is scope to improve internal control, the following can assist in the implementation of improvements:
  - a) the advice given in audit reports;
  - b) the advice and information given within financial and contract regulations; and
  - c) the advice and information given within Constabulary procedural documents.
- 1.13 Audit staff are also available to offer advice and guidance to supplement the PCC’s or Constabulary’s own internal arrangements.
- 1.14 Internal Audit would like to acknowledge the open and co-operative manner of the PCC and Constabulary that has enabled audit work to progress efficiently. In several instances audit work incorporated subjects already identified by the PCC and Constabulary as being likely to benefit significantly from internal audit’s independent and evidence-seeking

approach. Once again, collaboration has resulted in the most effective recommendations being made.

### **Irregularities**

- 1.15 The PCC and Constabulary are committed to ensuring that any opportunity for fraud and corruption is minimised. A culture is adopted in which all employees can help the organisation maintain a proactive attitude towards anti-fraud and corruption by reporting corrupt, dishonest or unethical behaviour.
- 1.16 The Anti-fraud & Corruption Strategy requires the Professional Standards Unit to inform Internal Audit of suspected irregularities that relate to:-
- a) Funds or assets of Suffolk Constabulary;
  - b) Procurement, contracts, equipment, stores or other assets of Suffolk Constabulary;
  - c) Monies or other property in the custody of Suffolk Constabulary, or
  - d) Private or other funds administered by Suffolk Constabulary by virtue of an office held.
- 1.17 No irregularities have been reported to Internal Audit during 2012/13.

### **Main Financial Systems**

- 1.18 To support the Constabulary's drive to obtain value for money, it has been agreed for Internal Audit to fully audit two main financial systems each year, with a follow up of findings in the year following the audit. The remaining four main financial systems are carried out using a self-assessment approach (which involves actual testing by officers at the Constabulary), and followed by a sample of retesting by internal audit at year-end.
- 1.19 Key control checklists have been introduced for the self-assessments and are intended to support the Financial Services Manager in providing that controls are adequate and effective in the systems that have not been fully reviewed by internal audit in the current year. The questions within the checklist are limited to those designed to give assurance on areas which may lead to material misstatement within the financial statements. For 2012/13, the areas covered by self-assessment were General Ledger; Payroll; Capital Accounting; and Expenditure Systems.
- 1.20 Internal Audit also carried out detailed reviews on the operation of Treasury Management and Income System controls which were both found to have high standard systems and controls in place.
- 1.21 These audits provide Ernst & Young, as external auditors, with important information about these systems.

### **Self-Assessments – General Ledger; Payroll; Capital Accounting; Expenditure;**

- 1.22 From the information given within the self-assessments and the re-testing undertaken, assurance can be given that the controls in place for General Ledger, Payroll, Capital Accounting and Expenditure Systems remain at the same high level as the previous year. Minor recommendations made have been implemented.
- 1.23 The payroll function for Suffolk Police is managed through the Logica system. In addition to the self assessment, an internal audit of Logica Payroll carried out by the HM Treasury Group Internal Audit, reported in April 2013, concluded that "there is an effective system of risk management control and governance in place to address the risk that outlined payroll objectives are not fully achieved." Coverage included risk management, the safeguarding of data, changing / updating of data, user profile set-up controls, webshare security, payroll processing, business continuity planning, web-based filing procedures, data handling

procedures, and performance management. Accordingly, assurance can be taken that there are robust controls in place within the supplier of payroll services to Suffolk.

### **Treasury Management (High Standard)**

- 1.24 There is an approved Treasury Management Strategy in place, and procedure notes have been produced detailing how the function of Treasury Management should be operated.
- 1.25 Investments were confirmed as only made with approved institutions and were within authorised lending limits. In addition, adequate cash flow records are maintained which support the decisions made to invest and key officers are provided with a weekly copy of the monitoring report on treasury management activities.
- 1.26 The Financial Accountant responsible for undertaking the Treasury Management function holds the Certificate in International Treasury Management (Public Finance).
- 1.27 No further borrowing has occurred since the Public Works Loan Board (PWLB) loan in 2010, for financing the Joint Property Project. Internal Audit can confirm, from examination of the relevant paperwork, that repayments of the loan have been for the correct amount, made in a timely manner, and appropriately approved.
- 1.28 At the time of the audit, there was an identified need for a Money Laundering Policy, as referred to within Financial Regulations, and the PCC CFO reported that this was in the process of being written.

### **Income Systems (High Standard)**

- 1.29 As a result of detailed testing on the receipt of income, the raising of debtors' accounts, credit notes, monitoring procedures, debt management and write-offs, and reconciliations, Internal Audit can confirm that the systems currently in place offer a high standard of internal control.
- 1.30 Due to the number of personnel within the Finance Team, a separation of duties is not always possible. This is compensated by the operation of monitoring and reporting processes.

### **Security Arrangements (Confidential)**

- 1.31 Due to the sensitive nature of the subject matter, the findings from this audit were reported in a separate committee paper (A12/31), classified as 'Exempt – Crime 7', in September 2012.
- 1.32 An action plan in response to this report was presented to the last meeting of the Police Authority in November 2012 (PA12/87 – Exempt – Crime 7).
- 1.33 Follow-up audit work carried out to date has indicated action has been taken against the audit recommendations made. A further audit on security arrangements has been approved for 2013/14.

### **Risk Management (Effective)**

- 1.34 Risk management plays a major role in the key elements relating to financial and budgetary management, service planning and performance management of the PCC and Constabulary.
- 1.35 A final review of the Police Authority's risk register was carried out by the Police Authority at its last committee meeting in November 2012, in preparation of handing the register over to the incoming PCC. Subsequently, the PCC has recently adopted a Risk Management

Strategy and risk register. This was presented to the Audit Committee in March 2013 (AC13/5).

- 1.36 Following an examination of risk related documentation (e.g. risk registers and committee reports / minutes), Internal Audit can confirm that the Constabulary's risk registers are generally well maintained and managed.
- 1.37 There was, however, an inconsistent approach across the Constabulary identified on how risks are being recorded, due to the result of collaboration arrangements, with different joint departments adopting different approaches. The risk of this confusion is that Suffolk risks are not included within any risk register, and that joint registers may not have all of the relevant risks because some are still being recorded within the individual Constabulary. It is important to ensure that risks are transferred over from individual Constabulary's risk registers to the joint register.
- 1.38 There is now a single Head of Risk, responsible for the management of risks for joint services. The Risk Manager at Suffolk Constabulary is still responsible for collating Suffolk Constabulary's risk registers.
- 1.39 Risk management across both Forces is currently undergoing an in-house review / consultation with key stakeholders, departments / commands, and management teams. This will ensure that the future collaborated RM business unit is fit for purpose over the two Forces. A joint Risk Management Policy which provides guidance on how to identify and assess risks and how to compile a risk register, together with a standard register template has been produced.

#### **Vetting Procedures (Effective)**

- 1.40 An audit of Force Vetting Systems and Procedures, carried out in October 2010, identified that, although the completion of vetting processes was "effective," the Vetting Management System in use at the time and used to support the vetting processes was weak and the overall rating provided was "ineffective."
- 1.41 In response to the original audit review, Suffolk Vetting Unit put in place a structured action plan and reporting process, with regular updates provided to the Audit Committee.
- 1.42 Further audit work can confirm that significant improvements have been made, not only by the planned introduction of the new WPC Core-Vet System, but also by the implementation of the recommendations made from the original audit.
- 1.43 An update on Force Vetting Systems and Procedures was provided to the Audit Committee in June 2012 (A12/15). This confirmed the findings of the audit work carried out.
- 1.44 WPC Core-Vet can provide management information in a number of formats including graphs and pie-charts on a wide range of criteria (e.g. month by month workloads, numbers of police and non police personnel, vetting staff performance etc.). It can identify trends and help with budgetary and resource requirements.
- 1.45 All responsibilities for vetting of staff and non police personnel have now been transferred to the new vetting unit based within Norfolk Constabulary under collaborative arrangements.
- 1.46 A Vetting Review, Retention & Disposal Schedule to comply with ACPO Vetting Guidance, the Data Protection Act and Security Policy Framework has now been determined and is included in a Joint Suffolk / Norfolk Vetting Policy.
- 1.47 HR in both forces have been given access to a restricted view of the Core-Vet system which will allow them to check staff vetting status and levels. In addition, Estates, Facilities

and Front Desk staff have been provided with access to enable them to view vetting clearances and thus access levels.

- 1.48 Vetting clearances are also recorded on the HR Origin system and all personnel can view their vetting status. It is important that line management plays a fundamental role in the maintenance of personnel security and as part of the vetting (aftercare) process they should be alert to any behaviours or events that might affect the reliability or integrity of their staff, notifying the central vetting unit accordingly.

### **Sickness Management (Effective)**

- 1.49 An audit on Sickness Recording, carried out in February 2011, reported that, whilst the HR Origin system contained the necessary controls to ensure sickness could be monitored effectively, it was not being fully utilised; there were common user errors (such as closing sickness on the incorrect date), and monitoring and reporting could be improved. The original audit also found that there was a low level of compliance with the Sickness Policy in that a large majority of managers were not recording on Origin that they had contacted their staff within prescribed timelines, or that they had carried out return to work interviews. Neither of these areas had been monitored or identified as being an issue. As part of the audit, a questionnaire had been sent to supervisors, and approximately half of the respondents felt that they received no or little training regarding managing sickness, or using Origin as part of sickness management.
- 1.50 Over the last year, there have been significant changes regarding how sickness is monitored and managed. There have been staff changes within HR, including a new Senior HR Manager and the introduction of a fixed term contract for an HR Advisor (Sickness Management).
- 1.51 In September 2011, the People and Communities Committee endorsed an Attendance Management Action Plan (AMAP) 'which has been developed to help managers and reduce sickness absence within the Constabulary.' This plan addresses many of the points raised in the previous audit.
- 1.52 In addition, a new joint Sickness Management Policy was introduced in January 2012, and all managers were required to attend training regarding this. By early July, the attendance level was at 98.6%.
- 1.53 At the request of the Chief Executive and Chair of the Audit Committee, a further audit was carried out on Sickness Management with the focus on the extent to which the AMAP is effective and being delivered, the work undertaken to prevent absence occurring in the first place, a 'follow-up' of the main issues raised in the previous audit, a review of the joint Sickness Management Policy, and a review of the training, monitoring and reporting that has been undertaken.
- 1.54 The latest AMAP and supporting documentation shows that the combined absence level for police and civilian staff is 3.76%. This is below the target for 2012/13 and compares favourably to the previous year's figure for Suffolk.
- 1.55 The Home Office compiles data from all Forces each year. The contracted hours lost for Police Staff for both years ending March 2011 and March 2012 showed that Suffolk was 39th out of 43 forces. For Police Officers, Suffolk was also 39th out of 43 forces for both years. As at September 2012, the Iqanta ranking results compared to other Forces showed Suffolk Constabulary as being ranked 17<sup>th</sup> for Police Officers and 23<sup>rd</sup> for Police Staff, a significant improvement and with a national average trend increasing from 3.8% to 3.9%.
- 1.56 Audit work determined that there has been a substantial improvement in the number of return to work (rtw) interviews being carried out by managers since the last audit. The Constabulary is currently averaging around an 80% compliance rate for rtw's. Of late, a lot

more focus has been around quality & purposefulness of the rtw meetings. This is a particularly important area of sickness management as research has shown that return to work interviews are one of the most effective ways to manage, and reduce, absence.

- 1.57 The audit review of reports, documentation and discussion with HR staff has clearly shown that sickness management has become more important since the last audit, and that there is a more rigorous process in place which has been clearly communicated, is monitored and regularly reported on. The Origin system has been improved which in turn has enabled more specific, useful and tailored reports to be obtained. Local Action Plans are gradually being put in place with Department Heads, and not only do these provide an opportunity for HR Advisors to provide them with compliance figures specific to their areas, and agree future actions, it provides a two-way channel of communication allowing supervisors to raise issues which can be fed back into HR.
- 1.58 HR have also identified within the AMAP that a sustainability plan is required to retain the momentum of sickness management, particularly in view of the reduction of HR resources that occurred in December 2012, due to the end of the HR Advisor (Sickness) contract. It is important that, having made such an improvement in managing absence, it continues and complacency does not set in. Supervisors are being made aware that, in most cases, it is their responsibility to manage their staff's absences, and although there is HR support available, it is important that all supervisors acknowledge this responsibility as HR resources change, and as the Police face future challenges that will affect resources and staff morale.

#### **Estate Management (Effective)**

- 1.59 The Joint Head of Estates and Facilities (Suffolk and Norfolk) is leading on bringing the two Forces together along with developing single strategies, plans and policies.
- 1.60 Through the Business Support Review, there is a four year programme of savings required for both Forces of £621,000, over the period. This is a considerable task and is further complicated by structural changes within the new department as well as the implementation of a new facilities management service contract with the contractor 'Reliance' to deliver the facilities management function.
- 1.61 For lettings of meeting / conference space at Martlesham, there was a lack of evidence to support hire agreements at the time of the initial audit. In addition, no formal terms and conditions existed and no risk assessments were being undertaken prior to the hiring out of function rooms. The lettings aspect only relates to the hire of facilities at Force Headquarters and mainly supports charity and local community events. Most hirers are internal and trusted. Estates have a small annual income budget of £2,000 to achieve and therefore lettings are not publicised widely.
- 1.62 Recent follow-up work has concluded that audit recommendations to improve controls around lettings have been implemented. This includes the introduction of a charging policy, formal terms and conditions, and a risk assessment checklist.
- 1.63 In light of the changes taking place within Estates, the audit also reviewed the differences in delivering the reactive maintenance service between Suffolk and Norfolk.
- 1.64 For Suffolk, a substantial number of local suppliers (over 100) can be called upon to rectify faults and, from testing, it can be confirmed that they react quickly (usually within 24 hours). However, only a small selection of the suppliers used have contracts or Service Level Agreements (SLA) in place which results in lack of control over how the work is undertaken and issues over liability in the event of work being sub standard or resulting in an accident affecting staff or the public. In addition, out of hours reported faults have to go through a complex process via the Control Room and staff being on call to make the appropriate decisions.

- 1.65 For Norfolk, a contract is in place with one main supplier which provides performance data, controls over costs, monitoring and regular meetings with the contractor to manage faults appropriately, prescribed timings for the work to be undertaken and an out of hours facility which means that staff do not have to be on call. There are also a number of specialist contracts with local suppliers. The main contractor invoices monthly for all faults completed which reduces the administrative time in processing a large number of individual invoices.
- 1.66 Benchmarking with other local Police Constabularies determined that they have both adopted the one main contractor template.
- 1.67 Now that the joint Suffolk and Norfolk facilities management contract with 'Reliance' (contract subsequently taken over by / novated to Norland Managed Services) is in place, Estates are working on the creation of a specification to bring reactive maintenance services under a considerably smaller number of contracts in addition to bringing the routine servicing contracts for heating, air conditioning and ventilation, lifts, and other plant maintenance together under joint contracts for Norfolk and Suffolk. Target timescales for these new contracts is April 2014. This will result in a reduction in administrative time, financial cost and enable easier management and monitoring.

### **Procurement Arrangements (Effective)**

- 1.68 A Joint Head of Procurement and Supplies for both Suffolk and Norfolk constabularies was appointed in April 2012, with the aim to make efficiencies and improvements, taking forward a collaborative approach to procurement activities. Joint procurement planning is now in progress and a Procurement Strategy has been written with work currently being undertaken on drafting joint procedures. Contract Standing Orders have been reviewed and updated.
- 1.69 Audit testing evidenced that inbuilt controls within 'Bluelight' provide good audit trails for tendering processes completed with a considerable reduction in paper documents. This assists the Procurement Section in having good systems and processes in place to ensure that procurement over tendering limits is completed in accordance with legal and regulatory requirements. Access to the e-tendering system is extended to a number of higher spending departments to allow for more control to be exercised for lower spend.
- 1.70 Purchasing between £3,000 and £35,000 (i.e. below tender limits) is generally administered by budget holders rather than the Procurement Unit. The operation of controls in this area, where quotations are required, can be improved as a high proportion of budget holders are failing to ensure that clear audit trails relating to procurement activity under their responsibility, are kept. Quotation procedures and pro-forma quotation record sheets are available on the intranet for general use. Procedures are clear that budget holders have to ensure that, if purchases are not covered by existing supply arrangements, a minimum of three potential suppliers should be invited to quote and records of all actions, decisions and approvals must be kept to evidence that procurement requirements have been met. The potential of developing a corporately shared folder to retain quotation records is being investigated.
- 1.71 The procurement procedures state that 'Where regular orders are placed with a single supplier and they are estimated to cumulatively, over a period of three years, exceed the tender threshold (£30,000), the budget holder should make contact with the Procurement Unit to establish a formal contract. This may entail entering into a competitive tendering process'. Analysis of expenditure identified instances of aggregation. However, there may be a number of reasons why the aggregation may or may not be acceptable. For example, purchases with one supplier may exceed tendering levels but, when broken down, may be for very different purposes which could not be drawn into a formal tendered contract. There is a risk, however, that other aggregations may not have been identified and dealt with appropriately. To address this issue, the introduction of Procurement single

points of contact for business areas and the production of reports on spend for use by these contacts, will be used.

- 1.72 Since the audit, additional awareness work has been undertaken by the Procurement Unit, including a presentation to Senior Officers in January 2013, where all joint units were represented, and the development of a procurement training package which has been used for a senior officer briefing.

### **Property Controls – Found & Volume Crime (Effective)**

- 1.73 A review of property controls was undertaken across the County in October 2012. This involved audits at the Bury St. Edmunds, Halesworth, Haverhill and Stowmarket Stations, and at two specialist teams: the Forensic Unit and Hi Tech Crime Unit.
- 1.74 The review highlighted that the Electronic Payment System (EPS) is a valuable tool which is both beneficial and efficient for the recording, locating and movement of property.
- 1.75 Audit testing identified that property was well administered. There were instances where property could not always be located in accordance with the details recorded on the EPS, due predominately to the system not being updated correctly or promptly as property is moved.
- 1.76 The Operational Business Support Manager has investigated instances of 'missing' property and has educated / reminded officers in the correct use of the system. In addition, investment in the development of officers to use the property system better is identified as a key issue which will improve performance.

### **Inventory Management (Ineffective)**

- 1.77 Inventories are required to provide a clear record of assets owned by the Constabulary, where they are located and who is using them. Inventories are not only required as an internal tool for control, accountability and cost analysis, but are also required in the instances of disaster recovery, major operational changes and for insurance purposes.
- 1.78 This audit sought to establish best practice and efficient and effective methods for inventory recording, focusing on the needs of Force Headquarters but to also incorporate Police Stations.
- 1.79 To establish the procedures and best practices in place, the systems, processes and controls within various locations were tested.
- 1.80 Although good practice was found to be in place at some locations, this was inconsistent and the following key areas of weakness were identified:-
- a) There are variations in the documentation used to maintain an inventory depending on which guidance is used. As a result, the inventories viewed did not always detail all of the necessary information;
  - b) Testing at the premises visited demonstrated that current inventories were not up to date which suggests a similar situation would be found across the organisation.
  - c) A sample of equipment tested against the inventory identified some minor discrepancies and highlighted that adequate descriptions were not always provided;
  - d) Internal Audit could not evidence across all premises visited that an annual independent check on the inventory has been undertaken; and
  - e) Responsibility for the maintenance of inventories is unclear in some areas.
- 1.81 New asset management guidance, developed by the Operational Business Support Manager, is currently out for consultation. This substantially addresses audit

recommendations and provide a structure to promote consistency across the Force. The guidance includes an inventory template which includes fields for all of the relevant information, a template for a disposal form, and provides details on how items should be security marked.

### **Lowestoft Station (Effective)**

- 1.82 Record keeping at the Lowestoft Station was generally of a good standard.
- 1.83 The main issues identified related to inventory management and property controls, and the Operational Business Support Manager has taken action as set out above against the separate audits on these areas.
- 1.84 In October 2011, an audit of five East Area stations was undertaken which resulted in an 'ineffective' opinion. It can be seen from the Lowestoft audit that further guidance has subsequently been issued to stations, thus improving controls in areas such as imprest and income and banking.

## **2. FINANCIAL IMPLICATIONS:**

- 2.1 The current contract with the County Council runs to 30 June 2015.
- 2.2 This report will not alter the current level of costs to the PCC.

## **3. OTHER IMPLICATIONS AND RISKS:**

- 3.1 The audit plan is risk-assessed and allocated over a five year strategic period with assumptions and calculations updated each year. This ensures that strategic audit aims are informed about operational changes so that audit cover can be amended as and where risks and priorities change.
- 3.2 In addition to the risk assessment process involved in the production of the annual plan, risk is addressed in every audit, both at the initial discussion with the auditee(s) and during the work. This ensures that audits concentrate on higher risk areas, including non-financial risks where appropriate.
- 3.3 Audits take into account the extent of the risks included within the risk registers.
- 3.4 There are no significant risks to record in the risk register as a result of this report. Members should be aware that audit coverage is based on an annual risk assessment.

<b>ORIGINATOR CHECKLIST (MUST BE COMPLETED)</b>	<b>PLEASE STATE 'YES' OR 'NO'</b>
Has legal advice been sought on this submission?	No
Has the PCC's Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Yes
Have human resource implications been considered?	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Yes
Has communications advice been sought on areas of likely media interest and how they might be managed?	Not considered necessary
In relation to the above, have all relevant issues been highlighted in the 'other implications and risks' section of the submission?	Yes

## COMPLETED 2012/13 AUDITS

AUDIT TITLE	AUDIT OPINION
<b>MAIN FINANCIAL SYSTEMS</b>	
General Ledger Controls	High Standard (S)
Treasury Management	High Standard
Expenditure Systems & Procedures	High Standard (S)
Income Systems & Procedures	High Standard
Payroll Systems & Procedures	High Standard (S)
Capital Expenditure Controls	High Standard (S)
<b>OTHER SYSTEMS</b>	
Risk Management	Effective
Security Arrangements	(C)
Vetting Procedures	Effective
Sickness Management	Effective
Estate Management	Effective
Procurement Arrangements	Effective
Property Controls – Found & Volume Crime	Effective
Inventory Management	Ineffective
<b>ESTABLISHMENTS</b>	
Lowestoft Station	Effective

Key:

- (S) Determined via self-assessment and subsequent testing by Internal Audit.
- (C) Confidential