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PAPER NO: AC14/11

SUBMITTED TO: AUDIT COMMITTEE

SUBJECT: ANNUAL INTERNAL AUDIT REPORT – 2013/14

SUMMARY:

1. The report advises the Committee of the work undertaken by Internal Audit in 2013/14 and the conclusions reached.
2. The work undertaken by Internal Audit in 2013/14, summarised within this report, provides an overall statement on the systems of control for inclusion within the 2013/14 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.

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 2013/14:-

“For 2013/14, a positive assurance opinion can be provided by Audit Services on the systems of control in place over financial administrative systems, transition arrangements, governance and corporate systems which continue to be operated at an effective level.

The outcomes of control assurance work undertaken in 2013/14, including actions already taken and planned, enables the Head of Internal Audit to provide assurance that the whole control environment is adequate, taking into account that assurance cannot be absolute.”

DETAIL OF THE SUBMISSION

1. KEY ISSUES FOR CONSIDERATION:

- 1.1** The report summarises the outcomes of the agreed programme of audit work undertaken for the PCC in 2013/14. It also gives the audit opinions for each individual audits 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 deemed necessary to satisfy the legal and professional obligations of the PCC and Constabulary. 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** The 2013/14 plan was based on an agreed amount of 180 audit days which was the same level as 2012/13.
- 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 2013/14, audit work has included specific reviews of controls within systems which are detailed within this report.
- 1.6** For 2013/14, a positive assurance opinion can be provided by Audit Services on the systems of control in place over financial administrative systems, transition arrangements, governance and corporate systems which continue to be operated at an effective level.
- 1.7** The outcomes of control assurance work undertaken in 2013/14, including actions already taken and planned, enables the Head of Internal Audit to provide assurance that the whole control environment is adequate, taking into account that assurance cannot be absolute.
- 1.8** In assessing the level of assurance given for 2013/14, 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.

1.9 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 2012/13, a positive statement was also given.

Audit Work

1.10 The Audit Committee agreed the Internal Audit Plan for 2013/14 on 25 March 2013 (paper AC13/3).

1.11 Each audit results in an opinion of ‘high standard’, ‘effective’, ‘ineffective’, or ‘poor’. Explanations of the meaning of these opinions are as follows:-

Audit Opinion	Definitions
High Standard	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives.
Effective	Whilst there is basically a sound system of control, there are some weaknesses, which put some of the system objectives at risk.
Ineffective	There are weaknesses in key areas in the systems of control, which put the system objectives at risk.
Poor	Control is generally weak leaving the system open to significant error or abuse.

1.12 In September 2013, a progress report on internal audit work was reported to the Audit Committee (AC13/13). This covered Declarations of Interest/Gifts and Hospitality, Interpreters Fees and Bury St Edmunds Station. A separate, confidential paper on Security Arrangements, due to its sensitive nature, was also reported in March 2014 (AC14/4). These are reported again within this paper, and updated where follow-up work has been undertaken.

1.13 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 along with the target action date. 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, CC CFO and the main auditee.

1.14 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.

1.15 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.

Irregularities

1.16 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.

1.17 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.

1.18 No irregularities have been reported to Internal Audit during 2013/14.

Main Financial Systems

1.19 To support the Constabulary's drive to obtain value for money and due to the previous high standard of controls previously assessed, 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.

1.20 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 2013/14, the areas covered by self-assessment were Income Systems; General Ledger; Capital Accounting; and Treasury Management.

- 1.21 Internal Audit also carried out detailed reviews on the operation of Payroll and Expenditure Systems.
- 1.22 These audits provide Ernst & Young, as external auditors, with important information about these systems.

Self-Assessments – Income Systems; General Ledger; Capital Accounting and Treasury Management;

- 1.23 From the information given within the self-assessments and the re-testing undertaken, assurance can be given that the controls in place remain at the same high level as the previous year. Minor recommendations made have been implemented.

Payroll Systems Procedures (High Standard)

- 1.24 The payroll function for Suffolk Police is managed through the CGI system. The latest audit of CGI Payroll, carried out by the Treasury Group Internal Audit and 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.”
- 1.25 Audit Services reviewed the controls surrounding input, processing and output for the CGI system within Suffolk Constabulary. In addition, analysis of data from the Master Payroll database and two pay run databases was completed.
- 1.26 This exercise assisted in confirming the integrity of the data.

Expenditure Systems Procedures (High Standard)

- 1.27 Audit testing concentrated on the evaluation of controls in place within the Finance Section at Police Headquarters and examined documentation to support the transactions and BACs payments made during the period April to December 2013.
- 1.28 Minor recommendations were raised relating to an outstanding reimbursement and a claim form that had been signed by an unauthorised signatory.

Security Arrangements (Confidential)

- 1.29 This is now the second year that this review has been completed and due to the sensitive nature of the subject matter, the findings from this audit were reported in a separate committee paper (AC14/7), in March 2014.
- 1.30 A further follow-up audit on security arrangements has been approved and planned for 2014/15.

Fire Safety (Ineffective)

- 1.31** The audit identified significant weaknesses within the Health and Safety Management System, including a lack of up-to-date training and compliance with the key elements of the role of the responsible person.
- 1.32** There are currently 51 Fire Marshals across the various Suffolk stations, of these only five attended training in January 2014. From the records maintained it was not possible to establish the date the remaining staff had received training.
- 1.33** Fire safety training is not adequately provided during the induction of new staff. It is understood that the NCALT e-learning training package has yet to be implemented due to Suffolk Constabulary having no Fire and Bomb Policy in place. When the policy is drawn up and agreed the e-learning fire modules will be available.
- 1.34** It is essential that staff are suitably trained in respect of fire safety and that the system provides all staff with the framework to undertake their responsibilities and have the knowledge to take action in the event of fire.
- 1.35** A review of governance arrangements identified that key policies had not been reviewed for some considerable time, but it is understood that they require re-drafting to have joint coverage for both Norfolk and Suffolk Constabularies.
- 1.36** There was no published Health and Safety Procedure in place for the Management of Contractors. Internal Audit was advised that this gap had been identified by the Health and Safety Team and the task of drafting a joint policy for both Constabularies has been allocated to an advisor to complete.
- 1.37** It was identified that no monitoring mechanism is in place to ensure that actions arising from the Fire Risk Assessments are complete. There is a Joint Health and Safety Committee which meet on a quarterly basis but no other specific Health and Safety meetings are held at a localised level.
- 1.38** In addition, the audit made recommendations to support the statutory responsibilities of the Suffolk Chief Constable and Police and Crime Commissioner.
- 1.39** Due to the 'Ineffective' opinion, a follow-up audit has been planned and approved for 2014/15.

Risk Management (Effective (PCC))

- 1.40** This audit reviewed compliance against the Suffolk PCC Risk Management Strategy and confirmed that it was being complied with to a material extent. Therefore, an audit opinion of 'effective' was given. However, it should be noted that although the PCC had approved the PCC's Risk Register published in February 2013, there was no evidence that the subsequent risk register published in September 2013 had been actively reviewed by the PCC.

- 1.41** Due to the collaboration with Norfolk Constabulary, a new Joint Risk Management Strategy (2013/15) and supporting guidance has been produced. A new template for Constabulary Risk Registers was also introduced in October 2013. However, due to the fact that the new strategy and risk registers have only been in place for a few months at the time of the audit, and the collaborative changes in staffing structures which have impacted on the management of risk management, it was agreed with the Temporary Joint Assistant Chief Constable for Strategic Change (T/ACC) that it would not be of use or value to carry out a full audit into Suffolk Constabulary's Risk Management at that time. Therefore, it was agreed with the T/ACC for Strategic Change that it would be of more value to undertake a full audit later in 2014 to obtain assurance as to whether the changes in risk management have been embedded and that the new process is working as expected. This audit has been agreed for 2014/15 and will include Norfolk coverage.
- 1.42** Taking this into account, no audit opinion has been given for the Constabulary's Risk Management. It is understood that Suffolk Constabulary are still operating their risk management process in line with the historic Risk Management Policy (2012). This will continue until the new Joint Risk Management Strategy has been fully implemented across Suffolk.
- 1.43** Internal Audit did undertake a review of the new risk management guidance, and observations were sent to the Joint Risk Manager for his consideration. It was found during this review that the new Strategy has not yet been fully rolled out within Suffolk Constabulary.

Data Quality (Effective)

- 1.44** The Suffolk Police and Crime Commissioner's Police and Crime Plan for Suffolk 2013-2017, encompasses 14 separate performance measures which the PCC agreed that the Chief Constable will report on at Bi-monthly Public Accountability and Performance Panel meetings.
- 1.45** In order that assurance can be taken that the reported performance measures are accurate, a sample of six performance measures were selected and checked for accuracy in the data and calculations used, and the monitoring processes in place. Through discussion; review of documentation, procedures and internal data quality audit reports; and the recalculation of a sample of performance measures, Internal Audit assessed that 'Effective' processes are in place for the monitoring of data quality for the performance measures.
- 1.46** It was found that there were no internal procedure notes for how the calculations of the performance measures should be undertaken. It was recommended that internal procedures were put in place for business continuity and transparency purposes.
- 1.47** Although monitoring and sign off of the performance measures figures was being undertaken for reasonableness, this can at times be in the form of a verbal sign off which cannot be evidenced. It was recommended that an audit trail evidencing the sign off of the performance measures and the final performance report was maintained to show a separation of duties. In addition a snapshot of the data should be held to support the reported figures. The audit

verified the calculations used and identified an unexplained difference for one measure, although this was not material in percentage terms.

- 1.48** It was also recommended that spot checks should be undertaken to ensure that the figures calculated are accurate, especially in light of system changes coming into force which will affect some key measures.

IT Governance (Effective)

- 1.49** Information Communication Technology (ICT) is represented at the highest level by the Joint Chief Officer Team (JCOT). The Assistant Chief Officer (ACO) chairs the ICT Programme Board and sits on JCOT where he provides high level updates, thereby providing a formal reporting line. ICT Programme Delivery meetings are chaired by the Director of ICT for Norfolk and Suffolk. He also attends the ICT Programme Board, as well as reporting to other groups such as Capital Monitoring and the overall Corporate Programme Coordination Board. Below the Programme Delivery Meetings, team meetings take place as part of the organisational structure.
- 1.50** The Norfolk and Suffolk ICT teams work closely together as the ICT function moves towards a full integration, resulting in roles, governance structures and policies being drawn together.
- 1.51** There is an internal ICT risk register, which records risks, the likelihood and impact of those risks, a risk score and mitigations in place. This is reviewed monthly at the Senior Management Team meeting. The risks with the higher scores are transferred from the ICT risk register to the corporate register.
- 1.52** There is an ICT strategy in place. The strategy is a high-level document which links into the mission statements for Suffolk and Norfolk, sets out a 5 year plan, and refers to the PRINCE2 project methodology for system implementations. The Suffolk and Norfolk mission have very recently been combined into one joint statement.
- 1.53** There are policies in place covering: Access to Staff Accounts / Drives; Digital and Social Media; Electronic Information Security; Email, Internet and Intranet use; Government Protective Marking Scheme (GPMS); Incident Reporting; and Information Management (IM). Two of these are marked 'interim guidance' and one is due for review.
- 1.54** There is an ICT Service Level Agreement (SLA) in place for Norfolk and Suffolk, which includes a number of Key Performance Indicators (KPIs). KPI statistics are monitored and recorded on a live basis, and are sent to the Deputy Head of Diversity on a monthly basis. KPI statistics are also available through the intranet but due to a technical issue these are out of date and incorrect.

Declarations of Gifts, Hospitality and Business Interests (Effective)

- 1.55** The HMIC report 'Without Fear or Favour' highlighted that many police forces and authorities lacked proactive and effective systems to identify, monitor and manage police integrity issues. At the end of 2012, ACPO issued guidelines in order to provide police officers and staff with an ethical framework in which to determine the boundaries of acceptability around gifts and hospitality for forces.
- 1.56** The purpose of this audit was to determine if procedures relating to declaration of interests, gifts and hospitality were consistent with guidance and whether controls in place were operating effectively.
- 1.57** Collaborative policies on the acceptance of gifts and hospitality and second jobs and business interests exist but have not yet been formally approved. These policies have taken ACPO guidance into consideration and provide important guidance to staff on their responsibilities. In addition, integrity briefings have been completed to raise staff awareness. Gifts and hospitality registers are overviewed by the Professional Standards Department and regularly monitored by the Suffolk Office for the Police and Crime Commissioner.
- 1.58** In relation to declarations of business interests there is a robust process in place. Notification documentation is appropriately completed and includes full details. The data is maintained in a register by the Case Management Team. There are processes in place for annual review of registered business interests and occupations. Legacy information is in the process of being added to the new register. A risk remains that data not yet entered on the register's database is not subject to the same controls as new data on the register.
- 1.59** For declarations of gifts, donations and hospitality, two registers are currently maintained. The register for Chief Officers is maintained by Executive Services and the Central Register is maintained by the joint ACIU. Testing of the registers against ACPO and local guidelines has identified some weaknesses in the operation of controls. Offers are recorded on Chief Officer's register, but need some improvement to clearly demonstrate the decisions made about the offer. Recommendations were made to improve consistency and to ensure transparent day to day recording processes are in place in all records.

HR – Settlement Agreements and Redundancy Payments (Effective)

- 1.60** This review highlighted that there is no policy for settlement agreements. The auditor discussed a settlement agreement case with an HR Advisor; each case is treated differently based on its nature and complexity and they have been described as 'few and far between'. However, there is no clarification over the responsible persons for decision making or key contacts that should be involved in or alerted to each case.
- 1.61** A period of 'harmonisation' of policies is currently underway to bring Suffolk and Norfolk policies in line with each other. This could be an opportunity to include procedures for settlement agreements as part of that review.

1.62 With regards to redundancy testing, one case of non-compliance with the change management policy was identified, where a member of staff had not received a 1-2-1 consultation meeting. Audit were informed that this member of staff had readily accepted the redundancy and did not re-apply for any of the new posts available. If this is the case, confirmation from the member of staff should have been requested in writing.

Facilities Contract Management (Effective)

1.63 Suffolk Police have entered into a joint contract with Norfolk for the delivery of a range of Facilities Management services including cleaning, caretaking, grounds, window cleaning, pest control and laundry. This contract commenced on 1st July 2012 with the Contractor - Reliance, which was subsequently taken over by Norland Managed Services, in October 2012. The contract has a life span of five years with the option to extend.

1.64 The contract delivery has been fraught with difficulties from critical staff resigning, relocation of the Norland helpdesk, changes to systems used (resulting in old and new systems not communicating), Norfolk and Suffolk using different procurement systems, and other key systems, that the contract relies upon, yet to be joined up.

1.65 As a result, the management information provided by Norland has not been adequate and management of the contract has been very resource intensive. This is further complicated by the prospect that year two will incur an additional financial extension, in order to obtain the level of service that is necessary. This is an inherited problem due to the original contract with Reliance not including all necessary costs (e.g. fuel). The Facilities Manager has undertaken a task to analyse all the contract costs and it is clear that the current price is not sufficient to deliver the service.

1.66 This has created a situation where there has to be 'give and take' in the contractual arrangements; an additional payment is required to Norland that is deemed reasonable to both parties in order to move forward. The positive to be taken from this situation is that it will not have an effect on the budget overall and will mean the service needed will be delivered. It is anticipated that this will build good relations and sound contract management practices will be received going forward.

1.67 There has been a great deal of frustration to overcome and there are still many challenges ahead but it is clearly evident that both the Head of Estates and Facilities and Facilities Manager are dedicated to making this contract successful. Many lessons have been learnt through this process and it is important that these are captured and shared with other services within both forces ahead of future procurement arrangements.

Bury St Edmunds Station (Effective)

1.68 Cash held in the Station is secured and appropriately recorded. However, a weakness in supervisory controls was identified. It was recommended that independent spot checks of cash were conducted to improve this.

- 1.69** Records completed by the Property Officer on the 'Electronic Property System' (EPS) are in good order and the property store itself is, in general, well organised. Weaknesses in control were identified where other officers had not completed records on the EPS correctly. These weaknesses need to be addressed to avoid risk of loss or fraud.
- 1.70** It was difficult to locate individual items in the bulk 'drugs awaiting destruction' storage area. This was also recommended to be addressed.
- 1.71** Due to the numbers of supply staff working on the Front Desk, keys cannot be registered to each officer leaving security and handovers difficult to administer. There are issues around key holding for staff who require access to the safe to return lost property to the public.

Interpreters and Translation (Effective)

- 1.72** Interpreting and translation services for Suffolk Police have been provided via the INTRAN partnership since 2009. INTRAN is a multi-public agency partnership for the Eastern region, who commission service providers for face-to-face, written, telephone and sign language interpreting. INTRAN are responsible for monitoring the contracts with the service providers and therefore this Audit only reviewed those processes which Suffolk Police are responsible for: policy and procedures; Interpreters - identification of need; selection; availability; recording and payment monitoring and contract management.
- 1.73** The amounts charged for interpreters face-to-face claims within the monthly invoices are not checked for accuracy. This is due to the staff responsible for checking the claims and invoices not having details of the agreed charges for the service; and the claim forms held at Suffolk Police being completed prior to the Interpreters recording their mileage and travel costs.
- 1.74** The INTRAN Champion was unaware that Suffolk Police have been charged for written translations undertaken by the face-to-face interpreter. Whilst it is understood that there are legitimate reasons for this service to be undertaken occasionally, the costs of the service had not been agreed and were not reported to the INTRAN Champion, and were substantially higher than that by the usual service provider for written translations.
- 1.75** Quality checks (cost and customer satisfaction) of the service received by Suffolk Police have not been regularly undertaken.
- 1.76** Following the Audit, the key member of staff responsible for this area left Suffolk Police and was only replaced in March 2014 following a restructure of the department. This has resulted in the recommendations from the original report not yet being actioned.
- 1.77** It has therefore been agreed that by the end of July 2014, Internal Audit will be provided with details of action and progress made.

2. FINANCIAL IMPLICATIONS:

- 2.1** The current contract with the County Council runs to 30th June 2015. 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. 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.
- 3.2** Audits take into account the extent of the risks included within the risk registers.
- 3.3** 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.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
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?	NO
In relation to the above, have all relevant issues been highlighted in the 'other implications and risks' section of the submission?	YES