

ORIGINATOR: Linda Goldsmith
Senior Auditor
Suffolk County Council

PAPER NO: AC14/19

SUBMITTED TO: AUDIT COMMITTEE

SUBJECT: 2014/15 AUDIT PROGRESS REPORT

SUMMARY:

1. The report advises the Committee of progress against the planned programme of internal audit work for 2014/15, and the conclusions reached.
2. The Police & Crime Commissioner for Suffolk (PCC), through this Committee, is responsible for maintaining an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
3. All reports completed and issued by Internal Audit up to the 11th September 2014 are explained in more depth within this report.
4. An indicative opinion of the Head of Internal Audit on the overall adequacy and effectiveness of the internal control environment is provided from the work carried out to date.
5. There are no significant financial issues arising or identified risks to record in the risk register, as a result of this report.

RECOMMENDATION:

The Committee is recommended to acknowledge, from the internal audit work undertaken to date for 2014/15, that it can take assurance in the operation of internal controls.

DETAIL OF THE SUBMISSION

1. KEY ISSUES FOR CONSIDERATION

INTRODUCTION

- 1.1 The report summarises progress against the planned programme of internal audit work for 2014/15, and the conclusions reached. It also gives the audit opinions for each completed individual audit.
- 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. There is an extensive programme of audits of systems and procedures. Audit work focuses on assessing the extent of compliance with controls.
- 1.4 The Audit Committee agreed the Internal Audit Plan for 2014/15 on 28th March 2014 (paper AC14/4).
- 1.5 Each audit results in an opinion of 'high standard', 'effective', 'ineffective', or 'poor'. Explanations of the meaning of these opinions are as follows:-

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.

- 1.6 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.
- 1.7 Audit staff are also available to offer advice and guidance to supplement the Constabulary's own internal arrangements.
- 1.8 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.

AUDIT WORK

Irregularities

- 1.9 At the time of writing this report, no irregularities have been reported to Internal Audit since 1st April 2014.

Completed Audits

- 1.10 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. This acts as an agreed action plan for management to implement, and the timescales involved, and may form the basis of a follow-up review or visit aimed at reviewing the implementation of agreed recommendations.
- 1.11 In accordance with the contract for the provision of internal audit, all audit reports are agreed with the Joint Financial Services Manager before being sent to the Chief Executive and Chief Finance Officer of the PCC, the Chief Constable, and the main auditee. In addition, the Deputy Chief Constable or Assistant Chief Constable receives a copy of the report if it falls under their remit. It has also been agreed, for 2014/15, that the Joint Risk Manager also receives copies of all finalised reports.
- 1.12 The planning process this year included considerable discussions with the Head of Internal Audit for Norfolk PCC. Due to so many areas now becoming joint under the collaboration, it was agreed that audits that fall into a joint area will be covered by one audit team. Therefore some of the audits within this report are joint and the coverage includes Norfolk.
- 1.13 In the future, this will result in Internal Audit reporting to Audit Committee on reports that have been undertaken by Norfolk's Internal Auditors. Audit Committee will be required to take assurance from their work on those occasions. Norfolk will undertake the following audits and will include Suffolk as part of the coverage but at this point no reports have been finalised for inclusion:-
- Fraud Risk Management
 - Budgetary Control
 - ICT Project Expenditure
 - Enterprise Resource Management (ERP)
 - New Policing Model

Contract Management (Joint) – Audit Opinion: Effective

- 1.14 As part of the process of increasing collaboration between Norfolk and Suffolk Constabularies, an integrated procurement team has been created. The aim of this is to maximise the potential savings attainable through shared contracts. A number of joint contracts are now in place representing savings for both Constabularies.
- 1.15 Testing revealed inaccurate information on the contracts register. The register of contracts is maintained by both Constabularies and published via the blue light procurement website. This is intended to make the contracts register transparent and available to the public. On review, it was found that agreements were included on the registers which were not in fact contracts and that the value of one such agreement had been mis-stated by around £40,000. This was the result of a simple transcription error. However, details of the description of the contract and the name of the provider appeared differently to the original documents and the IT contract database. There is a danger that inaccuracies in this register undermine the aim of making this information accessible to all.
- 1.16 There was uncertainty over who was managing some of the contracts tested. Procurement provided a list of contracts to the auditors and it was found that on occasions the person responsible for contract management was unaware of their responsibilities or had changed roles meaning the responsibility rested elsewhere. Where a contract manager was identified, their understanding of the terms of the contract and contract management role was inconsistent and overall there was a lack of evidence that contract management was taking place. For contract management to be successful, all parties involved must know what is expected of them.
- 1.17 In one case, a contract had been allowed to expire before negotiations for a new contract had been completed. It was acknowledged that part of the reason for this was the fact that contracts were being brought together from both Constabularies.
- 1.18 For three of the contracts tested, it was found that there were no Key Performance Indicators or comparable targets detailed in the contract and it was therefore difficult to evaluate performance.
- 1.19 During the course of the audit, it was found that there are draft procedure (guidance) notes awaiting approval. These draft guidance notes cover the contract management process in detail and define the responsibilities of key members of staff. They form a good basis on which to build a culture of good contract management. Once approved and combined with comprehensive training for relevant staff, these will enable good standards of contract management.

HR Training (Joint) – Audit Opinion: Effective

- 1.20 Training is of significant importance to both Norfolk and Suffolk Police Constabularies and is an area that needs to be closely monitored, as it could directly or indirectly impact on performance, morale and service delivery to the public. It should therefore be ensured that both staff and officers are receiving the training needed to fulfil their roles, that they are receiving good quality training and that the learning needs of the organisation are met.
- 1.21 The two Constabularies are currently using two different systems to record staff and officer training, skills and qualifications, but are set to amalgamate into one system; Enterprise Resources Project (ERP); in April 2015. The review intended to highlight any improvements that could be included in the move to the new system and a review of the current controls in place for recording and monitoring training records.

- 1.22 Audit testing highlighted that there is some non-compliance with agreed policies and procedures as Quality Assurance (QA) processes such as level 3-5 evaluations, QA audits and trainer observations are not completed.
- 1.23 It was also found that, in Suffolk, there is currently no monitoring of attendance of staff at First Aid training courses, meaning that some staff have 'slipped through the net' and are essentially no longer qualified to carry out that part of their role.
- 1.24 It was highlighted that costing exercises are not undertaken as part of the commissioning process and little evaluation of cost effectiveness is undertaken following training course completion.
- 1.25 While there is consistency between the two Constabularies, it was noted, during testing, that completion of mandatory e-learning is at a higher level in Norfolk and that attendance monitoring in the Suffolk Learning and Development Team does not cover all types of training. Recording of various training information also differs between Constabularies. These will be considered with a view to bringing procedures in line with each other before the implementation of the ERP.

Suffolk Special Constabulary – Audit Opinion: Effective

- 1.26 Special Constables are volunteers who dedicate a minimum of 16 hours a month to their role. They play an active role in the policing of Suffolk and support regular officers. Special Constables receive full training and have the same powers as regular officers.
- 1.27 There are currently 243 Special Constables covering Suffolk. As part of the Special Constabulary Strategic Development Plan 2014-15 there is the target to “increase the Suffolk Special Constabulary establishment to meet demands and investigate requirements to achieve a headcount of 350 officers”. However, audit was advised that this target will not be met. The recruitment and retention of Special Constables appears on the HR departmental risk register and is reported through into the corporate risk register.
- 1.28 The Suffolk Special Constabulary Policy is currently under review with the intention of harmonising all policy areas to ensure joint practices between Suffolk and Norfolk. This follows a prescribed process of consultation and approval with the aim of completion by March 2015. Testing was completed based on the current policy, proposed changes and detailed discussions on the processes with the relevant officers. Once the revised policy has been approved and is in place, this should be reviewed on an annual basis.
- 1.29 It was found that a high number of Special Officers (54 in total) have potentially not met worked the monthly minimum 16 hours required of such a role. In addition, the expenses and subsistence module of the Duty Sheet system does not provide a clear audit trail.
- 1.30 The recruitment process was found to be robust and controls are in line with the current policy, which follows the Specials National Recruitment Process.
- 1.31 Training is an area that has recently been reviewed to ensure that it is in line with the College of Policing guidelines. The three phases of the initial induction training have been amended to best reflect these guidelines and a ten weekend course is now in place. Additionally, monthly evening courses have also been revised to ensure that an appropriate lesson plan is followed, attendance records are kept and correct monitoring is undertaken. All such processes have been reviewed with the intention of joint working with Norfolk Constabulary and the policy will be adapted to demonstrate this.

Business Continuity (Joint) – Audit Opinion: Effective

- 1.32 The Civil Contingencies Act 2004 requires the Police (as Category 1 responders) to maintain plans to ensure that they can continue to perform their critical functions in the event of an emergency or disruption. Chapter 6 (Business Continuity Management) of Emergency Preparedness (Cabinet Office, March 2012) was used to assess the Policy and process in place for Business Continuity across both Norfolk and Suffolk Constabularies.
- 1.33 A joint Business Continuity Policy has been in place since 2012 (and is due to be reviewed in September 2014). In 2013, the Joint Business Continuity Manager introduced a new Business Continuity Plan (BCP) template and testing and review schedule. This is monitored, and non-compliance is reported back to Senior Management Teams (SMTs).
- 1.34 The Offices for the Suffolk and Norfolk PCCs were also included in this audit, although, as they are not covered by the Civil Contingencies Act, there is no legal requirement for them to have a BCP in place.
- 1.35 There are currently 66 departmental/unit Business Continuity Plans, and a further 21 Loss of Police Premises Plans. As at 28 April 2014, there were two departments who did not have a BCP in place. By the completion of the audit they had completed BCPs, and records showed that all relevant units now had a BCP.
- 1.36 Audit testing identified that three departments / units did not undertake a review of their BCP in 2013, and seven did not undertake the scheduled exercise testing their BCP in 2013. In addition to these, two departments / units did not have a BCP in place at the time so could not undertake a review or testing exercise. The Loss of Police Premises Plan for Landmark House was tested in 2013, but no testing for the other 20 premises was arranged.
- 1.37 It is noted that, whilst it is not acceptable to have departments / units who did not have BCPs in place, or had not tested or reviewed them, it was a new process for some, and many units were undergoing change at the time of the audit due to collaboration. The management of Business Continuity continues to advance, as recently a Business Continuity PDR objective has been introduced for Business Continuity Leads, and the Business Continuity Manager has now been added to the distribution list for consultation on all new policies.

Follow-ups

- 1.38 Where the auditors have more serious concerns over the effectiveness of internal controls within the system being reviewed, follow-up of the high risk areas is undertaken.
- 1.39 Follow-up audit work on recommendations made within the 2013/14 audits on HR Compromise and Redundancy Payments, ICT Governance, Data Quality and Facilities Contract Management has confirmed that recommendations have been implemented and controls have improved to an acceptable level.
- 1.40 There have been delays with actioning the recommendations from the Interpreters and Translation audit. Additional time was provided due to the restructure of the department and with critical staff leaving. A new member of staff now has responsibility and audit staff have recently undertaken a visit to review progress and can confirm that action has now been taken to action the recommendations from the original audit.

Other Related Audit Work

Police Audit Group Annual Conference

- 1.41 Internal Audit representatives from Suffolk County Council attended, and presented at, the Police Audit Group Annual Conference in July, where the main theme for the event was '**Raising Standards in Policing**'. The agenda covered topics such as Ethical Standards, Governance and Police Reform and presentations from the Chief Executive - West Mercia OPCC, Director - Institute of Business Ethics and the Home Office Group Head of Internal Audit. Suffolk's presentation was on how they had carried out the audit work on security arrangements; this generated much interest. The conference was an excellent opportunity to gain knowledge and share experiences and to ensure that the audit plan has the right coverage for both this year and for 2015/16.

Current & Future Audit Work

- 1.42 Other audits included in the 2014/15 Plan, reported to the Audit Committee in March, will be completed in the second half of the financial year.
- 1.43 The following audits are currently taking place (at the time of writing):-
- a) Security Review
 - b) Fire Safety Regulations follow-up
 - c) Crime, Disorder Reduction Grant
 - d) PCC Governance Arrangements
 - e) Records Management
- 1.44 Other audits planned during 2014/15 are:-
- a) Risk Management
 - b) Programme Management
 - c) Pension Administration
- 1.45 In addition, self-assessments on Income Systems, General Ledger Controls, Treasury Management, Capital Expenditure Controls, Payroll and Expenditure will be carried out to ensure sufficient assurance is collated on all systems, in order to fully support the Annual Governance Statement. This approach involves actual testing by officers at the Constabulary and aims to support the responsible officer in providing assurance to the PCC and Constabulary that controls are adequate and effective in the systems that have not been reviewed by internal audit in the year. Audit Services will dip sample these self-assessments towards the year-end.

Indicative Opinion of the Head of Audit Services

- 1.46 From the work carried out to date, systems of control are acceptable and deemed effective overall. However, members should note that assurance cannot be absolute.

- 1.47 In assessing the level of assurance given, 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.

2. FINANCIAL IMPLICATIONS:

- 2.1 The contract for the provision of internal audit services with the County Council runs to 30 June 2015. This report will not alter the current level of costs to the PCC.
- 2.2 In a time of considerable change, it is especially important that consultation on audits within the plan continues throughout the financial year to ensure that each piece of work remains relevant, has clear objectives that are of benefit, meets legal obligations and takes into account known or prospective changes which alter risks. For example, any restructuring or collaboration would mean that the focus of internal audit work would need to be reviewed and, if necessary, revised due to changing risks.

3. OTHER IMPLICATIONS AND RISKS:

- 3.1 All recommendations made within individual audit reports have been discussed with the relevant responsible officer and their management comments have been captured in response.
- 3.2 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.
- 3.3 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.
- 3.4 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.

PUBLIC ACCESS TO INFORMATION: *Information contained within this submission is subject to the Freedom of Information Act 2000 and wherever possible will be made available on the Police and Crime Commissioner's website. Submissions should be labelled as 'Not Protectively Marked' unless any of the material is 'restricted' or 'confidential'. Where information contained within the submission is 'restricted' or 'confidential' it should be highlighted, along with the reason why.*

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?	No
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
Have all relevant ethical factors been taken into consideration in developing this submission?	Yes

In relation to the above, please ensure that all relevant issues have been highlighted in the 'other implications and risks' section of the submission.