

**ORIGINATOR: Peter Frost  
Head of Audit Services,  
Suffolk County Council**

**PAPER NO: AC15/5**

**SUBMITTED TO:                      AUDIT COMMITTEE: 26 JUNE 2015**

**SUBJECT:                                      ANNUAL INTERNAL AUDIT REPORT – 2014/15**

**SUMMARY:**

1. The report advises the Committee of the work undertaken by Internal Audit in 2014/15 and the conclusions reached.
2. The work undertaken by Internal Audit in 2014/15, summarised within this report, provides an overall statement on the systems of control for inclusion within the 2014/15 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 2014/15:-

“Based on the findings of the internal audit work carried out throughout 2014/15, and the outcomes of external assurance provider reports, it is the opinion of the Head of Audit Services that the PCC’s / Constabulary’s control environment provides assurance that the significant risks being faced have been addressed.

Financial administrative systems, transition arrangements, governance and corporate systems are operated at an effective level.

Actions already taken and planned enable the Head of Audit Services to provide assurance that the whole control environment is adequate, taking into account that assurance cannot be absolute.”

3. For the 2015/16 internal audit plan of work, the Committee should take into account audit work previously agreed / postponed as well as follow-up work required as a result of audits carried out in 2014/15.

## 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 Suffolk PCC and Constabulary in 2014/15. 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 a 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 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.
- 1.5 The 2014/15 plan was based on an agreed amount of 180 audit days which was the same level as 2013/14. Due to the number of auditable areas operated jointly with Norfolk, efficiencies in the setting of the 2014/15 audit plan resulted in some audits being undertaken by either Suffolk County Council Audit Services or PricewaterhouseCoopers (PwC), Norfolk's internal auditors. This approach had the benefit of eradicating duplication; less constraint on auditee resources; and improved consistency. This was agreed with the PCC CFOs. All internal audit work affecting Suffolk is included within this report and contributes to the overall Head of Audit opinion.
- 1.6 For 2014/15, a positive assurance opinion can be provided by the Head of Audit Services:-

**“Based on the findings of the internal audit work carried out throughout 2014/15, and the outcomes of external assurance provider reports, it is the opinion of the Head of Audit Services that the PCC’s / Constabulary’s control environment provides assurance that the significant risks being faced have been addressed.**

**Financial administrative systems, transition arrangements, governance and corporate systems are operated at an effective level.**

**Actions already taken and planned enable the Head of Audit Services to provide assurance that the whole control environment is adequate, taking into account that assurance cannot be absolute.”**

**1.7** In assessing the level of assurance given for 2014/15, 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) findings of work performed by other assurance providers.

**1.8** 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 2013/14, a positive statement was also given.

**AUDIT WORK**

**1.9** The Audit Committee agreed the Internal Audit Plan for 2014/15 on 28 March 2014 (paper AC14/4).

**1.10** 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.

**1.11** In September 2014, a progress report on internal audit work was reported to the Audit Committee (AC14/19). This covered Contract Management, HR Training, Special Constabulary, and Business Continuity. These are reported again within this paper, and updated where follow-up work has been undertaken.

**1.12** 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 Acting Chief Finance Officer before being sent to the agreed officers.

**1.13** 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.

**1.14** Audit Services would like to acknowledge the open and co-operative manner of the PCC and Constabulary that has enabled audit work to progress efficiently.

### **Irregularities**

**1.15** The PCC and Constabulary will not tolerate fraud or corruption in the administration of their responsibilities and 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 Joint 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 2014/15.

### **Main Financial Systems**

**1.18** Main financial systems are Payroll; Expenditure Systems; Income Systems; General Ledger; Capital Accounting; and Treasury Management.

**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. However, for 2014/15, it was agreed by External Audit and the Audit Committee that, due to the work being carried out on implementing the new ERP (Enterprise Resource Planning) system, all main financial systems would be done using the self-assessment approach, as all would need to be audited in full, following implementation, in 2015/16.

- 1.20 Key control checklists, designed for the self-assessments, are intended to support Finance Management in providing that controls are adequate and effective in the systems that are not fully reviewed by internal audit each year. The questions within the checklist are limited to those designed to give assurance on key areas which may lead to material misstatement within the financial statements.
- 1.21 These audits provide Ernst & Young, as external auditors, with important information about these systems.
- 1.22 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.
- 1.23 The overall opinions for each area examined were:-
- **Payroll – High Standard**
  - **Expenditure / Accounts Payable – High Standard**
  - **Income / Accounts Receivable – High Standard**
  - **General Ledger – High Standard**
  - **Capital Accounting – High Standard**
  - **Treasury Management – 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, concluded that “the framework of governance, risk management and control is adequate and effective.”

#### **Risk Management (Joint) - Effective**

- 1.25 There is a joint Risk Management policy in place for Suffolk and Norfolk Constabularies (dated 2012), which, at the time of the audit, was in the process of being revised and updated (with the aim that it will be in place by July 2015). Upon examination of the draft revised policy, it was suggested that consideration be given to the inclusion of a ‘tolerance level’ (i.e. the level of risk that the Constabularies are happy to accept, and also to include reference to the need to review risks on a regular basis to determine if the likelihood / impact levels are still the same, whether the current action in place is sufficient or whether a change in action is required, or if the risk cannot be managed locally and requires escalating.
- 1.26 The PCC for Suffolk evidences his involvement in the reviewing of the PCC Risk Register by signing each register. The risk registers are updated and published quarterly.
- 1.27 The PCC for Norfolk shares a strategic risk register with Norfolk Constabulary, and presents the risk register to the Audit Committee on a regular basis. The Suffolk Constabulary strategic risk register is presented to the Accountability and Performance Panel on a regular basis, but is not presented to the Audit Committee. Whilst the terms of reference for the Audit Committee are being met, consideration should be given to also presenting the strategic risk register to the Audit Committee.
- 1.28 Audit reviewed a sample of department / command risk registers, programme risk registers, strategic risk registers and the minutes of the related management teams, boards and committees. Risks are being identified, recorded and reviewed in accordance with the Policy across most of the areas examined. The main findings were:

- an inconsistent approach to the completion and reviewing of risk registers between the two Constabularies;
- not all departments / commands have an up-to date risk register; and
- various versions of risk registers are in use (for departments and programmes). Although a likelihood / impact risk scoring system has been used, there are variances in the wording and RAG rating used. These differences could make comparison and reporting of risks across the organisations more difficult.

### **Contract Management (Joint) – Effective**

- 1.29** The creation of the Integrated Procurement Team maximises the potential savings attainable through shared contracts. A number of such contracts are now in place, representing savings for both Constabularies.
- 1.30** 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. At the time of the initial audit review, inaccurate information was recorded on the contracts register. However, recent follow-up work carried out has confirmed that the register's details have been amended where necessary, and an accurate record is now reflected.
- 1.31** Audit work carried out on a sample of contracts shows that, in general, they are well managed. Although contracts have identified contract owners, there is a difficulty being experienced that, as the organisation changes, Procurement are not always informed of staff changes / moves which can change the contract owner.
- 1.32** As the Constabulary continues with reductions in staff numbers, contract management will be important and needs to be taken into consideration as part of future business restructures.

### **Fire Safety – Effective**

- 1.33** An audit of fire safety processes undertaken in February 2014, identified significant weaknesses, including a lack of up-to-date training and compliance with the key elements of the role of the responsible person. It also recommended establishing localised meetings which the responsible persons should attend that would provide the opportunity to discuss Health and Safety issues, concerns, lessons learnt and progress against action plans resulting from Fire Risk Assessments. Any significant issues could then be escalated to the Joint Force and Safety Committee for action, creating a thread linking the Health and Safety Management System together.
- 1.34** Further audit work on this area in 2014/15 confirmed that a significant amount of work had been undertaken to improve controls and to action the recommendations raised from the initial audit. New e-learning modules are now in place including; responsible persons training, a fire and bomb safety awareness package, and fire marshal training. Health and Safety is now a regular agenda item at the Joint Chief Officer (Organisational) team meetings. In addition, on-site testing at five police stations established that the relevant and legally required documentation is in place, and only low risk issues were identified.

## **Programme Management (Joint) - Effective**

- 1.35** A Change Programme has been established to deliver the savings put on Police as a result of the recent Government Comprehensive Spending Reviews. Within this Programme, distinct Portfolios of projects have been set up and Audit Services examined a sample from the Suffolk & Norfolk Change Portfolio, the Suffolk Only Change Portfolio, and the Norfolk Only Change Portfolio in order to review the governance arrangements in place.
- 1.36** Good governance is important because it ensures that decisions have been made in a transparent and accountable way. Timely and relevant information / data, with an open and honest debate between stakeholders, will lead to better decision making and increase the effectiveness in reaching objectives. In addition, having good governance contributes to ensuring risks within the organisation are identified and managed. Accordingly, the governance arrangements in place for the Change Programme are a key to its success.
- 1.37** From the review, it can be concluded that the governance arrangements in place and operating for the Change Programme within Suffolk and Norfolk Constabularies are appropriate and robust, with business and financial benefits within approved business cases being tracked and monitored for delivery. An accurate picture of the projects and portfolios is being disseminated upwards through the governance chain from Project Manager through to the Programme Coordination Board, Joint Chief Officers Team and the PCC's Collaboration Panel; with all relevant internal stakeholders able to input and feedback through the appropriate channel.
- 1.38** Some weaknesses were found regarding risk management practices within the Change Programme. It was found that no RAID (risk, assumptions, issues, dependencies) logs for the Joint Performance and Analysis Department project and the Business Support review programme of work were in place. Furthermore, it was identified that there is an inconsistency in the scoring used for risks within the different project RAID logs.

## **Governance Stage 2 Transfer (Including Transparency) – High Standard**

### **Governance Arrangements**

- 1.39** The audit reviewed all the documentation to support the Stage 2 Transfer Arrangements, to ensure compliance with Part 3, Schedule 15 of the Police Reform and Social Responsibility Act 2011. This was followed through to final approval of the Transfer Scheme by the Home Office on the 28<sup>th</sup> March 2014 and the subsequent notifications to the staff concerned. All were found to be accurate and timely.
- 1.40** An evaluation of the Scheme of Governance and Consent introduced to accommodate the changes brought about as a result of the Transfer Scheme, was also undertaken to ensure that roles and responsibilities were clearly defined and that it had been formally adopted, approved and monitored. Introduced to be applicable from 1<sup>st</sup> April 2014, the Scheme was last updated on 1<sup>st</sup> August 2014 and contained all the required information.

### **Transparency**

- 1.41** The audit concentrated on compliance with the Elected Local Policing Bodies (Specified Information) Order 2011 (as amended) in terms of the information required to be published (Part 1 of the Schedule to the Specified Information Order) to the public and the required times of publication (Part 2). The PCC website is very clear

and easy to navigate and there is a dedicated heading for 'Transparency' with a dropdown for 'Specified Information and Availability'. Samples of the requirements of the Subject Information Order were selected for detailed testing and all information was located.

- 1.42** In June 2014, the Information Commissioner's Office advised all Police and Crime Commissioners of the need to produce a Publication Scheme in line with the requirements of the Freedom of Information Act 2000. This would come into effect from 25<sup>th</sup> December 2014. The Chief Executive has been very pro-active in relation to implementing the new Publication Scheme and its accompanying Definition Document, which were formally adopted by the PCC on the 18<sup>th</sup> September 2014. It is now available on the PCC website.

#### Communication and Information Sharing

- 1.43** Under Section 36 of the Police Reform and Social Responsibility Act 2011, the Chief Constable must provide the PCC with such policing information that the PCC requires. The audit reviewed the reporting lines between the Chief Constable and the PCC. Section 1.3.14 of the Scheme of Governance and Consent clearly details the requirements for Information Sharing.

#### **Business Continuity (Joint) – Audit Opinion: Effective**

- 1.44** 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 processes in place for Business Continuity across both Norfolk and Suffolk Constabularies.
- 1.45** A joint Business Continuity Policy (BCP) has been in place since 2012. In 2013, the Joint Business Continuity Manager introduced a new Business Continuity Plan (BCP) template and a testing & review schedule. This is monitored, and non-compliance is reported back to Senior Management Teams (SMTs).
- 1.46** Recent audit testing has confirmed that all departments / units undertook a review of their BCP and scheduled exercise testing in 2014 (initial audit work looking at 2013 identified some non-compliance). All results have been reported to the Business Continuity Manager.

#### **HR Training (Joint) – Audit Opinion: Effective**

- 1.47** At the time of the audit, two different systems were used by Suffolk and Norfolk to record staff & officer training, skills and qualifications. The review intended to highlight any improvements that could be included in the move over to the new Enterprise Resources Project (ERP) system, as well as a review of the current controls in place for recording and monitoring training records.
- 1.48** Audit testing highlighted some non-compliance with agreed policies and procedures as Quality Assurance (QA) processes, such as level 3-5 evaluations, QA audits and trainer observations were not being completed.

- 1.49 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 differed between Constabularies.
- 1.50 It was also found that, in Suffolk, no monitoring of attendance of staff at first aid training courses was carried out, meaning that some staff have 'slipped through the net' and are essentially no longer qualified to carry out that part of their role.
- 1.51 Costing exercises were not being undertaken as part of the commissioning process and little evaluation of cost effectiveness is undertaken following training course completion.
- 1.52 The items highlighted from the audit were to be considered with a view to bringing procedures in line with each other before the implementation of the ERP. However, whilst some improvements have already been made, there remain some items outstanding, predominately due to post-implementation issues with ERP.

### **Records Management (Joint) – Audit Opinion: Ineffective**

- 1.53 One of the key principles of the management of police information (MOPI) is that records must be regularly reviewed in order to ensure that they remain necessary for the policing purpose, are adequate and up-to-date and are disposed of when there is no longer a policing purpose for retaining them. At present, neither Suffolk nor Norfolk is compliant with MOPI guidance (high volumes of paper and electronic records held which are not being reviewed / disposed of; inadequate retrieval of information).
- 1.54 As such, audit work examined the plan in place (as approved by the Joint Chief Officers Team) to ensure it is driving the service forward to become compliant with the management of police information under the Authorised Professional Practice (APP).
- 1.55 A project is being completed in respect of Suffolk and Norfolk, and currently records management is undertaking 3 key stages:
1. Recruiting temporary staff to manage the Review, Retention and Disposal of hard copy files;
  2. Developing, with the Joint ICT Department, an in-house automated solution to assist the review, retention and disposal of both electronic and manual files; and
  3. With regards to collaboration, the recruitment of a permanent structure going forwards to manage MOPI and which will deliver the review, retention and disposal of both electronic and hardcopy files.
- 1.56 Whilst discussions with the Records Manager, and examination of documentation, confirmed that an effective approved project is in progress to address the issues of non-compliance, the overall audit opinion of ineffective relates to current non-compliance.

### **Special Constabulary – Audit Opinion: Effective**

- 1.57 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.

- 1.58** There are in excess of 240 Special Constables covering Suffolk. As part of the 2014-15 Special Constabulary Strategic Development Plan there is the target to “increase the Suffolk Special Constabulary establishment to meet demands and investigate requirements to achieve a headcount of 350 officers”. It is unlikely that this target will 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.
- 1.59** The Suffolk Special Constabulary has been reviewed to harmonise joint practices between Suffolk and Norfolk.
- 1.60** Audit testing found that over 50 Special Officers had not 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.
- 1.61** The recruitment process was found to be robust and controls are in line with the current policy, which follows the Specials National Recruitment Process.
- 1.62** 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.

#### **Site Security – Audit Opinion: Effective**

- 1.63** A review of Suffolk Constabulary’s security arrangements has been carried out annually for the last three years.
- 1.64** Incrementally, there have been improvements, with actions taken by the Head of Information Management and Information Security Manager to remedy previously identified control weaknesses.
- 1.65** During 2014/15, a series of unannounced visits were carried out by Audit Services to assess the security of buildings, challenge culture, public access, clear desk policies, security of confidential data and the process for visitors at each location visited. Office hours testing was carried out, as well as out of office hours, where audit arranged “contractor’s” access to the buildings.
- 1.66** The visits highlighted that substantial work has been undertaken and considerable improvements have been made since the previous audits. Findings were found to be fewer than previous years and the challenge culture has improved dramatically (audit staff experienced much more challenge than in previous audits). At all stations visited, security signs were displayed reminding staff of their personal responsibility to challenge if they see anyone without a badge or anything suspicious.
- 1.67** The disposal of confidential waste, which was picked up in the original review and has continued to be an issue, is still an area requiring improvement. It is acknowledged that a working group has been set up to work out a permanent solution to the safe disposal of confidential waste across Norfolk and Suffolk. However, until current contracts have finished, there is a limit to what can be achieved. It was noted throughout the audit visits that, at some stations, shredders are now in place and being used.

## **Crime & Reduction Order Grants – Audit Opinion: Effective**

- 1.68** Section 9 of the 'Police Reform and Social Responsibility Act 2011', gives authority to the PCC to make crime and disorder reduction grants to anyone who, in the opinion of the PCC, will secure, or contribute to securing, crime and disorder reduction. The objective of the audit was to ensure that these grants comply with the 2011 Act and that they are managed effectively and transparently.
- 1.69** In 2013/14, the PCC set aside a total fund of £700K for the purposes of awarding crime and disorder reduction grants. The majority of this fund (£600K) was allocated to Community Safety Partnerships, Public Health, Positive Futures, and Youth Offending Services, with the remaining £100K (known as the Police and Crime Plan Reserve) allocated in smaller grants.
- 1.70** For 2014/15, the sum of £700K was once again set aside. This time, the PCC awarded £304K to five organisations (all subject to robust business cases) and £96K for the Police and Crime Plan Reserve for the awarding of smaller grants. The remaining £300K, known as the 'Safer Suffolk Fund' is administered by the Suffolk Community Foundation. An administration fee is charged for this work (based on a percentage on the value of the funds awarded) and is part of the allocated £300K. The fund awards organisations grants of between £1K and £20K through the Foundation. The Safer Suffolk Grant Panel considers grant applications and is chaired by the PCC who signs-off all grant awards.
- 1.71** The management of the Crime and Disorder Reduction Grants has been a learning process for the Office of the PCC and the process has been evolving over time. Governance arrangements have been put in place to ensure decision making and delegation of authority are defined, whilst transparency is evident. Decisions are made with the PCC's Police and Crime Plan objectives in mind, ensuring value for money. The decision to allocate a pot of funds to be administered by the Suffolk Community Foundation shows that the grant process is taken seriously to ensure efficiencies and the reduction in overhead costs in administering the grants.
- 1.72** Audit coverage examined all grants awarded in 2013/14 and those awarded within the first quarter of 2014/15. Governance arrangements, and the processes and controls over the awarding of grants, monitoring and reviews were found to be effective.

## **Internal Audit Work carried out by PwC**

- 1.73** The following summarises the key findings from work carried out by PwC (internal auditors for Norfolk for 2014-15) where there has been an impact on Suffolk. The results have been taken into consideration in the overall Head of Audit opinion in paragraph 1.6.

## **Enterprise Resource Planning (ERP) System Implementation Programme**

- 1.74** Suffolk and Norfolk Constabularies have invested in t-Police which replaces and aligns back-office IT systems across both forces. The project was initiated to facilitate the realisation of the Business Support Review (BSR) savings identified as a response to the Central Government Comprehensive Spending Reviews 1 and 2.
- 1.75** A review of the Programme identified two key risks:-
- data migration delays, resulting in the acquisition of additional resource to achieve the deadline; and
  - business as usual - the majority of ICT resources used on the ERP Project have not been backfilled, therefore there is a risk that they are under greater

pressure to both deliver the ERP project and the rest of the ICT Programme, as well as business as usual. There has been some delay in the delivery of other elements of the ICT Programme, for example implementation of I2 software for intelligence analysis has been delayed by a few months from summer 2014. However the resources and prioritisation of the ICT Programme is managed by the ICT Director through the ICT Programme Board, with issues raised to the Joint Chief Officer Team (JCOT) as required.

### **Fraud Risk Management**

- 1.76** An Anti-Fraud and Corruption policy, which includes a fraud response plan, has been written.
- 1.77** An enhanced, ethics led, induction programme, developed for use from March 2015, should cover the Anti-Fraud & Corruption Policy or the potential consequences should a Police Officer or Police Staff be found guilty of fraud.

### **Other**

- 1.78** Minor findings were reported by PwC following audit work on financial effectiveness (budgetary control) and ICT project expenditure (a review of the ICT department's own 'Tech Refresh Plan').

### **Follow-ups**

- 1.79** 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.
- 1.80** 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.
- 1.81** Where follow-up work for the 2014-15 audits has already been completed, the results are incorporated in the paragraphs above.
- 1.82** There have been delays with actioning recommendations from the Interpreters and Translation audit carried out in 2013/14, predominately due to the restructure of the department and critical staff leaving. A new member of staff now has responsibility. One issue which remains outstanding is that 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. The Chief Inspector (Community Safety) has informed Internal Audit that they are still in negotiation with the provider of the contract (Intran) who should be supplying far more vigorous data. Currently, they are still providing data which provides no means of checking the invoices. The Constabulary has done some of its own checking and this has shown discrepancies which is challenged and a further meeting is being set up with Intran to look at this.

## **National Fraud Initiative (NFI)**

- 1.83** The NFI is an exercise that matches electronic data held within and between public and private sector bodies to prevent and detect fraud. All mandatory participants, including the Constabulary, must provide data to the Audit Commission for matching with other local government organisations.
- 1.84** The NFI exercise takes place every two years, with the latest data extraction being completed in October 2014. This included payroll, pensions and creditors.
- 1.85** In the NFI, participating bodies receive a report of matches that they should follow-up, and investigate where appropriate, to detect instances of fraud, over / under payments and other errors, to take remedial action and update their records accordingly.
- 1.86** The results of this data extraction, received in February 2015, resulted in no areas of concern. Accordingly, this provides a good indication that Constabulary systems are operating effectively.
- 1.87** The Audit Commission's data matching powers, and therefore the NFI, transfer to the Cabinet Office in 2015.

## **Other Related Audit Work**

### **Police Audit Group Annual Conference**

- 1.88** 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.

## **Hand-Over**

- 1.89** The current contract with the County Council ceases on 30<sup>th</sup> June 2015. With effect from 01 April 2015, TIAA Ltd is responsible for the provision of internal audit services to both Suffolk and Norfolk.
- 1.90** There will be a need for TIAA Ltd to audit, in full, the six main financial systems in 2015/16. It was also agreed at Audit Committee in September 2014, that procurement processes and property are added to the audit plan for 2015/16. An audit of Police Pensions, initially planned to be undertaken in 2014/15 was postponed until 2015/16 due to a change in the provider of administering the Police Pensions Scheme and New Police Pensions Scheme. Furthermore, the effectiveness of records management systems should be monitored once the Suffolk / Norfolk project is complete. Additional follow-up work is likely, as a result of internal audit work undertaken by PwC.

## **2. FINANCIAL IMPLICATIONS:**

**2.1** 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 three-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.

<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?	NO
In relation to the above, have all relevant issues been highlighted in the 'other implications and risks' section of the submission?	YES