

For Information / Consideration	
Public/Non Public*	Public
Report to:	Audit and Scrutiny Panel
Date of Meeting:	12th December 2013
Report of:	Chief Finance Officer
Report Author:	Charlotte Radford
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Other Contacts:	Angela Ward
Agenda Item:	6

INTERNAL AUDIT PROGRESS REPORT

1. Purpose of the Report

- 1.1 To provide members with an update on progress against the Internal Audit Annual Plan and the findings from audits completed to date.

2. Recommendations

- 2.1 Members are recommended to consider the report and where appropriate make comment or request further work in relation to specific audits to ensure they have adequate assurance from the work undertaken.

3. Reasons for Recommendations

- 3.1 This complies with good governance and in ensuring assurance can be obtained from the work carried out.

4. Summary of Key Points

- 4.1 The attached report details the work undertaken to date and summarises the findings from individual audits completed since the last progress report to the panel.

5. Financial Implications and Budget Provision

- 5.1 None as a direct result of this report.

6. Human Resources Implications

- 6.1 None as a direct result of this report.

7. Equality Implications

- 7.1 None as a direct result of this report.

8. Risk Management

8.1 None as a direct result of this report.

9. Policy Implications and links to the Police and Crime Plan Priorities

9.1 This report complies with good governance and financial regulations.

10. Changes in Legislation or other Legal Considerations

10.1 None

11. Details of outcome of consultation

11.1 Not applicable

12. Appendices

12.1 Appendix A - Internal Audit progress report.

Nottinghamshire Office of the Police & Crime Commissioner and Nottinghamshire Police

Internal Audit Progress Report

12th December 2013

Introduction

The internal audit plan for 2013/14 was approved by the Joint Audit & Scrutiny Panel on 14 February 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Culture	Final Report issued	Advisory*	-	-	-
Commissioning	December 13				
<i>Governance – Financial Governance</i>	<i>Final Report issued</i>	<i>Advisory</i>	-	-	-
Data Quality – Medacs	Final Report issued	Advisory	8		
ICT Resilience	TBC				
Partnerships	December 2013				
Performance Management – Manifesto	December 2013				
Scrutiny Panel – Anti Social Behaviour	Draft report issued & further work to be completed January 2014				
Business Continuity	Scoping meeting booked				
Workforce Planning	Draft report issued				
Equality & Diversity	Draft report issued	Green			
Health & Safety	Draft report issued				
Environmental Policy	Draft report issued	Green			
Attendance Management	March 2014				
Volunteering	Scoping meeting to be arranged				
Estates	Draft report issued	Green			
Joint Tasking & OPR	Scoping meeting held				
<i>Payroll</i>	<i>Final Report issued</i>	<i>Green</i>			
Training	Complete	Not Applicable			
Follow Up	Final Report issued	Good Progress	-	-	-

*ADVISORY RECOMMENDATIONS WERE INCLUDED WITHIN THIS REVIEW.

Other Matters

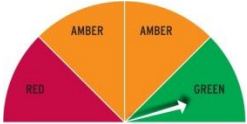
We are in the process of completing scoping meetings for the work that is scheduled to be completed during quarter 4. Once completed, the reports will be brought to a subsequent meeting.

Information and Briefings: We have issued the following update since the last meeting:

- GEN 05/13 – Fraud Alert – Supplier Details

KEY FINDINGS FROM INTERNAL AUDIT WORK

Assignment: Governance – Financial Governance	Opinion:	Advisory
<p>This review focused on elements of the Good Governance Framework and Financial Management Code of Practice. The Financial Management Code of Practice for the Police Service of England and Wales details the required financial governance arrangements within the Force and the Office of the Police & Crime Commissioner.</p> <p>The PCC and Force is complying with the following ten key areas of the Financial Management Code of Practice:</p> <ul style="list-style-type: none"> • The identification of Chief Finance Officer roles within the Force and the Office of the PCC. • Compliance with the requirements of public reporting responsibilities. • Communication and openness. • Delivery of the statutory responsibilities of the Chief Finance Officer of the PCC. • Delivery of the statutory responsibilities of the Police Force Chief Finance Officer. • Use of an Information Sharing Protocol. • Preparation and approval of a scheme of consent. • Preparation and approval of Financial Regulations and Standing Orders on Contracts. • PCC policy on reserves and provisions. • Financial planning and budget setting arrangements. <p>The Scheme of Delegation will need to be revised post April 2014, to take into account the implications of the Stage 2 transfer. Both the PCC and Force are aware of this requirement.</p> <p>No recommendations were made as a result of the audit.</p>		

Assignment: Payroll	Opinion:	
<p>The summary highlights from this review are as follows:</p> <ul style="list-style-type: none"> • The Force has in place a set of approved Financial Regulations which provides the framework for managing the financial affairs detailing the key controls for the main accounting areas and defines the responsibilities of staff within the processes. In support of the Financial Regulations there are procedure notes available to staff covering all areas of Payroll. • Starter forms are completed for all new starters and our review confirmed that based on the sample of starters, since April 2013, all had a starter form in place, which had been appropriately completed and authorised, • Leavers are removed from the payroll system, on a timely basis and supporting documentation is 		

retained. Our review confirmed that based on the sample of leavers, since April 2013, all had a leaver form in place, where applicable and that the leaver had not been paid, after leaving, with the exception of five leavers who had received payment for annual leave or expenses that were owed to them.

- Any amendment made to the Payroll system has appropriate supporting documentation. Our review of a sample of amendments, during the period April to September 2013 confirmed that there was appropriately authorised supporting documentation, in all cases.
- Expenses are paid on receipt of a completed and authorised claim form. Our review of a sample of expenses, processed during April to October 2013, confirmed that there was an authorised expense form, with supporting receipts, where applicable, in all cases.
- An overtime form is completed by the Officer and forwarded to Payroll. The forms are supported by a summary spread sheet, which has been appropriately authorised. A check is completed by Payroll to confirm that the details on the overtime form correspond to the authorised spread sheet.
- Exception reports are run and reviewed by the Payroll Manager on a monthly basis for both Officers and Staff payment runs and any unusual exceptions are investigated and annotated.
- All new Officers and Police Staff are automatically enrolled into the pension scheme, A PEN 101 opt out form is completed by Officers and Staff to notify Payroll of their wish to opt out.
- A monthly reconciliation is in place between the Payroll and HR System. It is good practice to perform such a reconciliation, however associated recommendations to improve the process have been raised as part of the Workforce Planning audit and are therefore not repeated here.

No formal recommendations have been made as a result of the audit.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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Fraud Alert – Changing Supplier Bank Details

4 September 2013

CB Gen 05.13

During 2012 we issued a series of briefings which focussed on fraudulent attempts to alter legitimate suppliers' bank account details with the aim of illegally diverting funds. Since then, scams of this nature have continued to be witnessed within the NHS, the private sector, and more recently within local authorities and the education sector. The fraud itself is rudimentary, so it is worrying that the perpetrators often succeed in their deception; however, application of simple controls can prevent organisations being affected.

The Fraud

- Impostors, falsely representing genuine suppliers, approach target organisations with a request to change bank account details held on file. Where the fraudster's request is successful, often falsified invoices are then subsequently paid by the target organisation into the fraudster's bank account.
- Often, the fraudsters approach the target organisation some time before to change the supplier's contact details in order to 'legitimise' the change of bank details at a later date. Fraudsters have been known to do this via email, telephone, in writing using faked headed stationery, and also in person.

As fraudsters continually develop and apply new methods to circumvent controls, it is essential for organisations to assess the effectiveness of those in place in relation to administration procedures for changing both supplier contact and bank account details in order to address any weaknesses.

Actions organisations can take to protect themselves and their suppliers

- Seek verification of authenticity for **all** requests to change details held for a supplier.
- Ensure that confirmation of authenticity is sought from a known source or reliable contact, preferably through the original supplier contact, before any changes are made.
- Have requested changes to bank account details reviewed by a senior member of the Finance team.
- Ensure the process for amending supplier bank account details is documented and that the Accounts Payable team are aware of the procedures.
- Ensure the Finance team are fully aware of the nature of this fraud as well as the controls required to mitigate the risks

Further help and advice

To discuss your organisation's controls in relation to suppliers and Accounts Payable please approach your usual Baker Tilly contact in the first instance. Alternatively, contact Baker Tilly's Fraud Solutions team.

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