

For Information / Consideration	
Public/Non Public*	Public
Report to:	Joint Audit and Scrutiny Panel
Date of Meeting:	17th June 2014
Report of:	Chief Finance Officer
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Agenda Item:	16

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

17th June 2014

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	Final Report issued	Advisory*	-	-	-
Governance – Financial Governance	Final Report issued	Advisory	-	-	-
Data Quality – Medacs	Final Report issued	Advisory	8		
<i>Crime Recording (Partnerships, Performance Management, Contingency & ICT)</i>	<i>Final Report issued</i>	<i>Advisory</i>	-	-	-
<i>Scrutiny Panel – Anti Social Behaviour</i>	<i>Final Report issued</i>	<i>Reasonable Progress</i>	-	-	-
<i>Workforce Planning</i>	<i>Final report issued</i>	<i>Amber/Green</i>	1	-	3
Equality & Diversity	Final Report issued	Green	-	-	3
<i>Health & Safety</i>	<i>Final Report issued</i>	<i>Green</i>	-	2	1
Environmental Policy	Final Report issued	Green	-	2	3
Attendance Management	Draft Report issued	<i>Amber/Green</i>			
Estates	Final Report issued	Green	-	-	1
Payroll	Final Report issued	Green			
Collaboration – Governance & Financial Framework	Final Report issued	Amber/Red			
<i>Follow Up – Collaboration – Governance & Financial Framework</i>	<i>Final Report issued</i>	<i>Good Progress</i>	-	-	-
Training	Complete	Not Applicable			
Follow Up	Final Report issued	Good Progress	-	-	-

*ADVISORY RECOMMENDATIONS WERE INCLUDED WITHIN THIS REVIEW.

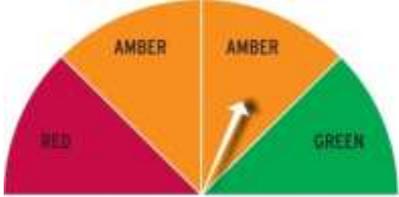
Other Matters

We have issued five final reports since the last meeting, two of which are included as separate agenda items and the key findings from the remaining three reports are included within this report.

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

- Corporate Identity Fraud – January 2014
- Changing Supplier Bank Account Details – April 2014

Key Findings from Internal Audit Work

<p>Assignment: Workforce Planning</p>	<p>Opinion:</p>	
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During our review we confirmed that the following controls were in place and designed effectively:

- The Medium Term Financial Plan outlines the increases to frontline Policing as promised by the Police and Crime Commissioner in their manifesto and how this increase is to be implemented across the four years.
- Procedure notes are in place to provide Human Resources (HR) with guidance through the recruitment and selection process of both Police Officers and Staff.
- Police Staff appointments are requested through a completed Vacancy Management Form. Approval for recruitment is granted from the weekly Managing Resources Panel which includes members of the HR and Finance departments. If approval is granted the HR team is authorised to recruit for this position. Once the role has been filled the HR Oracle system is updated to reflect the new employee.
- We obtained a report from Oracle of all Police Officer and Police Community Support Officer (PCSO) appointments made since 1 April 2013. We selected a sample of fifteen and requested the corresponding Offer of Employment letters to validate the accuracy of the data included within the HR system. Our testing of this sample identified that the correct process had been followed in all instances and details correctly recorded on the Oracle system subsequent to the offer of employment being made.
- The Medium Term Financial Plan provides the authorisation to recruit Police Officers and Staff. Upon successful recruitment of Officers the Oracle system is updated.
- A change in the pay grade of a Staff role is approved by the Hay Panel if additional responsibilities have been assigned to that role. Upon approval this is reflected in the Oracle system. We obtained a report from Oracle of all pay grade changes made since 1 April 2013 of which there have been a total of six. We reviewed all six instances and confirmed that the correct procedures had been followed and evidence was available to support the change made.
- Upon receiving a fully completed Acting and Temporary Duty Form HR update the Oracle system to reflect changes.
- Externally funded roles are recorded as such within the Oracle system.
- Upon promotion of a member of staff to a new position, HR complete a Notification to Payroll of Employee Permanent Data Form which is signed as prepared and authorised by two separate members of HR staff. The Oracle system is updated to record Officers who have been promoted. We obtained a report from Oracle of all Force promotions since 1 April 2013 and selected a sample of fifteen. Testing of these 15 confirmed that the process had been correctly applied in all instances.
- A Workforce Planning Report is presented to the Force Executive Group on a regular basis which identifies Officer and Staff numbers against target and phased establishment.

Application of and compliance with control framework

As a result of our audit testing we identified that the following exceptions to compliance with the control framework and we have raised recommendations accordingly:

- A high recommendation has been included in relation to the definitions around Externally Funded and Seconded Officers. It was noted that HR have included Seconded Officers within their definition of Externally Funded positions, this differs to the definition applied by Finance who class Externally Funded positions as those who are paid for by partner organisations. To ensure that the difference in definition would not affect the Workforce Plan we attempted to reconcile the number of Officers and PCSOs within the Force between the Finance and HR systems. The Workforce Planning update prepared by HR stated that as of the 31 August 2013 the number of Police Officers stood at 2046.24 FTE and there were 298 FTE PCSOs.

Finance was able to produce reports from the September payment run which identifies hours worked during August 2013. Finance reported that a total of 2030 FTE Police Officers were employed by the Force during August 2013, 16 FTE lower than the figure reported by HR. For PCSOs Finance reported 295 FTE, 3 FTE lower than the figure reported by HR.

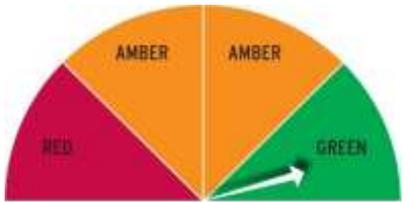
The difference in the definitions could be part of the reason for the difference and it has been recommended that the definition be agreed and applied consistently. If there are any further differences between the Finance and HR system, following this, then that needs to be explored and reconciled by the Force.

Furthermore, some duplication was highlighted as part of the review as both HR and Finance request budget holders to confirm the Externally Funded and Seconded Officers, within their department, on a monthly basis. It would seem reasonable that once the definitions are agreed that either Finance or HR request the information, moving forward.

- The recruitment and selection procedures for both Police Staff and Officers had not been reviewed since 2004 and 2006 respectively as a consequence the procedures may not reflect current working practices. The recruitment and selection procedures have been reviewed and updated. They are being presented to the Force Executive Board in March 2014.
- The decision to recruit was not being recorded by the Managing Resources Panel. Upon approval a member of the panel should sign and date the Managing Resources Form to confirm that appropriate approval has been granted and to create an audit trail.

Action	Responsible Officer	Date
The Force should ensure that the review of the recruitment and selection policies for both Officers and Staff is completed, confirming that the policies reflect current working processes. (Low)	James Lunn (Senior HR Partner)	31/03/2014
The Force should ensure that the decision of the Managing Resources Panel is recorded on the newly introduced Managing Resources Form to confirm that appropriate authorisation from the Chief Officer Team or a Business Case has been reviewed by the HR and Finance Business Partner prior to advertising the post. (Low)	Already Implemented	Implemented
An authorised Acting and Temporary Duty form should be on file for all acting Police Officers and temporary changes. Also a Notification to Payroll of Employee Permanent Data Form should be completed and authorised and retained on file. (Low)	James Lunn (Senior HR Partner)	31/08/2014

<p>The definition of Externally Funded and Seconded Officers should be consistently applied across the Force to ensure that Seconded Officers are included within the Workforce Plan whilst still being paid by the Force. If there are any further differences between the Finance and HR system, following this, then that needs to be explored and reconciled by the Force.</p> <p>Furthermore, once the definitions and associated figures are agreed, between the Finance and HR system, a report can then be issued by either Finance or HR and forwarded to the budget holders for them to confirm the accuracy of the postholders and data, as opposed to the two monthly reports that are currently being sent by both HR and Finance. (High)</p>	<p>James Lunn (Senior HR Partner)</p> <p>David Machin (Management Accountant Manager)</p>	<p>31/03/2014</p> <p>31/05/2014</p>
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<p>Assignment: Health & Safety</p>	<p>Opinion:</p>	
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During our review we confirmed that the following controls were in place and designed effectively:

- The Force has a Health and Safety Policy in place, providing guidance to staff. This is due to be updated to reflect the changes which have taken place due to the transfer from the Police Authority to the Police and Crime Commissioner. It has been identified that there is currently a national debate underway to identify the persons responsible for overall Health and Safety within each Force, this being, the Commissioner or the Chief Constable. A draft policy has been created reflecting the changes but this will not be authorised until the Force has received guidance on overall responsibility from the Health and Safety Executive.
- Health and Safety procedures/guidance notes are available for staff to view on the intranet which includes intelligence received from other forces about newly identified Health and Safety issues. An alert entitled 'Health & Safety Alert Concealed Neck Knives' was provided. Such alerts are circulated to officers by email and are available on the intranet.
- All newly recruited Police Staff and Officers are required to undertake Health and Safety training through the use of the e-learning computer systems. In addition to this Officers are required to also complete the half day training delivered by the Health and Safety Team.
- The responsibility of Officers and Staff in regard to Health and Safety are clearly defined within the Health and Safety Policy.
- Risk assessments are completed by qualified risk assessors. Generic templates of frequently used risk assessments are available on the intranet
- All accidents and near misses are entered onto the Health and Safety system and lessons learnt are recorded.
- Incidents and Health and Safety trends are discussed at Divisional, Committee and PCC level. Statistics of incident reports are reported to and monitored by the Divisional Health & Safety Committee on a regular basis. On review of the minutes of the meetings it was confirmed that incidents and near misses at Division are discussed. Furthermore, a Performance Insight report is produced on a monthly basis, highlighting incident / accident trends, assaults and near misses. For the PCC, this reported is presented to the Local Policing & Operational Support Performance Board.

- Information from Divisional Health & Safety Committees is reported to the Force Health & Safety Committee. At the time of the audit, the Force Health & Safety Committee had been temporarily suspended, to provide an opportunity for a review and consideration to a revised Terms of Reference for this particular Committee. Whilst the Committee is suspended, the linkage for the Divisional Health and Safety committees is with the Force Executive Board, through exception reporting.

Application of and compliance with control framework

During our audit testing we identified non-compliance with the control framework in the following areas:

- Our audit testing identified that not all newly recruited Officers PCSOs and Staff are completing the required e-learning Health and Safety modules, with some new starters not yet having an e-learning account assigned to their personal number. We were also unable to obtain evidence that Officers have completed the additional mandatory half day Health and Safety training.

Action	Responsible Officer	Date
In order for new Staff to complete the e-learning modules the Force should ensure that all new starters are communicated to the ICT Trainer Learning and Development Team who create the user accounts. Additionally, Line Managers should monitor the completion of these e-learning modules and confirm that new Staff complete these modules within the 15 day deadline set by the Force. (Medium)	James Lunn (Senior HR Partner)	31/08/2014

Assignment: Follow Up – Collaboration Governance & Financial Framework	Opinion:	Good Progress
<p>We have undertaken a review to follow up progress made to implement previous internal audit recommendations made within our Collaboration – Governance & Financial Framework report that was issued earlier on during 2013/14.</p> <p>Within the original report there were five medium and two low priority recommendations that had been agreed by the PCC and Force, for implementation. The focus of this review was to provide assurance that all recommendations previously made have been adequately implemented.</p> <p>In our opinion the Organisation has demonstrated good progress in implementing actions agreed to address internal audit recommendations.</p> <p>For two of the medium priority recommendations we were unable to confirm that the recommendation had been fully implemented as implementation is relying on the utilisation of the revised Business Case document, which is effective from 1st April 2014. Therefore, we will ensure that this is followed up during 2014/15, to provide assurance that all recommendations made within our original report have been fully addressed and actioned.</p>		

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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'Corporate identity fraud' is a term used to describe the impersonation of an organisation for financial or commercial gain.

A form of corporate identity fraud is Company Impersonation, also known as Corporate Hijacking. This illegal activity involves perpetrators setting up email addresses similar to that of target organisations to fraudulently procure goods and services in their name for which they have no intention of paying. Often, the fraudster's emails will contain convincing corporate branding, such as the legitimate organisation's logo, to make emails appear more authentic. Goods that are primary targets for this type of fraud are items that can easily be sold on, such as mobile phones and laptops.

Another common method of Corporate Hijacking involves fraudsters accessing registered company records, changing details of the company directors and registered address, and using the stolen identity to order goods which are then intercepted at the fake address.

Mitigating actions

The trend for this type of fraud is growing and occurrences have been seen across a number of different sectors, most recently in higher education where organisations have reported instances of fraudulent orders being placed involving tens of thousands of pounds.

One mitigating action organisations registered with Companies House can take is to sign up for its email alert monitoring system. The service sends automatic email notifications to nominated accounts when documents that organisations choose to 'monitor' are received and accepted or when attempts to change company details are made. Read more about this [here](#).

Organisations should also ensure they monitor domain name registrations similar to their own which may have been set up for illegitimate purposes.

Raising suppliers' awareness of this type of scam is also an effective way of minimising risk as well as assuring them that all procurement requests will be made through the established channels. To mitigate risk, supplier organisations can undertake the following checks:

- Validate email addresses against the requesting organisation's original details.
- Contact suppliers using original contact details held on file rather than those given on suspicious emails to ensure that a purchase order exists and to verify the delivery address.

The importance of awareness should not be underestimated in relation to this type of fraud and in addition to ensuring that sufficient safeguards are in place, organisations should make certain their people are well informed of this fraud risk and able to respond appropriately.



Need more help or advice?

Baker Tilly's Fraud Solutions team will be happy to assist you and your organisation to mitigate this fraud risk.

David Foley
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