

**Office of the Cambridgeshire Police and Crime Commissioner and
Cambridgeshire Constabulary**

Internal Audit Progress Report – 2013/14

Joint Audit Committee Meeting – 10 December 2013

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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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1. Introduction

- 1.1 The periodic internal audit plan for 2013/14 was approved by the Interim Joint Audit Committee in March 2013. This report summarises the outcome of work completed to date against that plan, and Appendices B and C provide cumulative data in support of internal audit performance.

2. Final Reports Issued

- 2.1 We have finalised six reports since the last Committee Meeting, these are in the areas of:

2013/14

- Governance Framework (3.13/14)
- Covert Human Intelligence Source Payments (4.13/14)
- Income and Debtors (5.13/14)
- General Ledger (6.13/14)
- Cash, Banking and Treasury Management (7.13/14)
- Payroll and Expenses (9.13/14)

We have included in Appendix D, the agreed actions plans of each of the finalised reports (including High and Medium recommendations only).

3. Key Findings from Internal Audit Work

- 3.1 The Joint Audit Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Joint Audit Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.
- 3.2 No common weaknesses have been identified within our reports so far for 2013/14. Furthermore, no findings to date will impact negatively on the Head of Internal Audit opinion.

4. Work in Progress or Planned

4.1 We have also issued three draft reports to which we are awaiting management's responses; these are in the areas of:

- Data Security Arrangements for Tablet Computers (8.13/14)
- Victim/Witness Care (10.13/14)
- Purchases and Creditors (11.13/14)

5. Liaison with Management and External Audit

5.1 Regular progress meetings have been held with a representative from the Corporate Development Department. In addition, meetings have been held with the Chief Finance Officer to discuss the work completed to date, our key findings and the Internal Audit Plan for 2013/14.

5.2 We have also liaised with the External Audit to agree the protocol and make arrangements for sharing our audit working papers.

6. Changes to our Plan

6.1 There have been no changes to the audit plan since the last Joint Audit Committee.

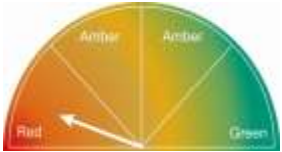
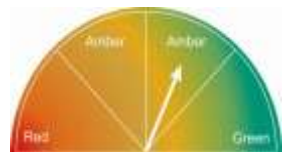
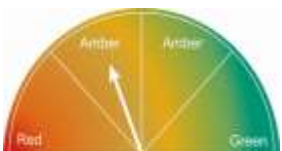

7. Sector Guidance

7.1 We have issued the following updates electronically since the last Joint Audit Committee;

LGE Update LG eUpdate September 2013

APPENDIX A: Definitions of the levels of assurance and the classification of recommendations

Recommendation Categorisation	
Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Opinions			
The definitions for the level of assurance that can be given are:			
Opinion	Description	Opinion	Description
	<p>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.</p>		<p>Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>
	<p>Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>		<p>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.</p>

APPENDIX B: OPERATIONAL PLAN PERFORMANCE 2013/14

Detailed below is a summary of the work undertaken 2013/14 to date, showing the levels of assurance given and the number of recommendations arising. Definitions with regard to the levels of assurance and the classification of recommendations are provided overleaf.

The six reports in bold are being discussed at this meeting.

Auditable Area	Status	Assurance level given	Number of Recommendations Made				
			H	M	L	In Total	Agreed
Reports finalised to date 2013/14 plan							
Absence Management (1.13/14)	FINAL	GREEN	0	1	1	2	2
Health and Safety (2.13/14)	FINAL	AMBER / RED	0	5	4	9	9
Governance Framework (3.13/14)	FINAL	GREEN	0	0	0	0	0
Covert Human Intelligence Source Payments (4.13/14)	FINAL	GREEN	0	0	0	0	0
Income and Debtors (5.13/14)	FINAL	AMBER / RED	1	0	5	6	6
General Ledger (6.13/14)	FINAL	GREEN	0	0	4	4	4
Cash Banking and Treasury Management (7.13/14)	FINAL	GREEN	0	0	0	0	0
Payroll (Including pensions and expenses) (9.13/14)	FINAL	GREEN	0	1	2	3	3

APPENDIX C: 2013/14 WORK IN PROGRESS (including reports still in draft)

Auditable Area	Start Date (Planned)	Debrief date	Draft report issued	Comments
IT – Data Security (8.13/14)	23/09/2013	18/10/13	30/10/13	Awaiting Management Comments
Victim/Witness Care (10.13/14)	14/10/2013	17/10/13	08/11/13	Awaiting Management Comments
Collaboration - Governance (Joint .13/14) <small>(Joint review across Beds, Cambs and Herts with contribution from audit plans from Beds and Cambs)</small>	(04/11/2013)	14/11/13	20/11/13	Awaiting Management Comments
Follow Up	(06/01/2014)			
Risk Maturity	(07/01/2014)			
Collaboration – Procurement	(11/02/2014)			
Financial Top Up Testing	(17/03/2014)			
Proactive Fraud	Q4 – exact timing tbc			
Creditors (11.13/14)	18/10/13	25/10/13	11/11/13	Awaiting Management Comments

APPENDIX D: Action Plans (HIGH and MEDIUM recommendations only) further information for Red and Amber / Red opinions.

(3.13/14) Governance Framework (Green Opinion)
No High or Medium recommendations made.

(4.13/14) Covert Human Intelligence Source Payments (Green Opinion)
No High or Medium recommendations made.

(5.13/14) Income and Debtors

Assignment: Income & Debtors	Opinion: Amber / Red	Recs: H - 1 M - 0 L - 5
<p>Effectiveness</p> <p>The Force has one main Key Performance Indicator (KPI) with regards to Income, Debtors and Credit Control. The KPI is the 'Average Debtor Days' and for the 2012/13 year the figure reported at the year-end was 69.4 days, an increase from 20 days for the 2011/12 year.</p> <p>Through review, we found that the rise in the KPI could have been due to the long term debt owed by Peterborough United Football Club. This debt has been recognised as a long standing feature of the aged debtors report and Peterborough United Football Club are paying by instalment.</p> <p>Design of control framework</p> <p>The following controls were deemed to have been designed appropriately;</p> <ul style="list-style-type: none"> ▪ The Force has approved Financial Regulations and Force Financial Instructions in place which are current and available to all staff; ▪ Access to the sales ledger is restricted to only nominated members of staff; ▪ Debt chasing is undertaken on debts older than 30 days; ▪ Income received in the bank account is accurately posted to debtor accounts on the sales ledger; ▪ Daily and monthly reconciliations are undertaken on sales ledger; 		

- Debts that cannot be recovered are written off in line with the Force Financial Instructions; and
- The reporting to management on a six-monthly basis regarding credit control.

Three controls were deemed to have minor design inadequacies and which have resulted in three low priority recommendations.

Application of and compliance with control framework

Testing during this review found one control to be inadequately applied which has resulted in a high priority recommendation;

- From our initial sample of 25 invoices tested we found errors (undercharging) in two of these which resulted in loss of income to the Force. An additional 20 invoices were tested which uncovered a further two undercharging errors. The total loss to the Force from the four errors was £2602.26. Not ensuring that the correct details have been input onto the sales invoice exposes the Force to the financial risk that customers will be undercharged.

Testing during the review found four minor application and/or compliance issues with the control framework which have led to low priority recommendations.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
2.1a	The Finance Team review the process for creating sales invoices to ensure they are accurately produced.	High	Y	The Finance Supervisor has already issued a reminder to the staff that can raise invoices to double check the amounts before raising the invoices. In addition, procedures within Finance have been amended so that as well as checking for appropriate authorisation, all values will be double checked and appropriate action taken if errors are discovered.	Completed	Acting Head of Exchequer Services

(6.13/14) General Ledger (Green Opinion)

No High or Medium recommendations made.

(7.13/14) Cash, Banking & Treasury Management (Green Opinion)

No High or Medium recommendations made.

(9.13/14) Payroll (Including pensions and expenses) (Green Opinion)

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
3.1	The Payroll Team should ensure that the independent check of all inputs and reviews are clearly evidence to demonstrate the segregation of duties. For lengthy reports, each section or summary should be signed as reviewed by the Payroll Officers involved.	Medium	Y	<p>The payroll team do complete independent checks of all input and sign to demonstrate this (on both the audit report and the notification/e-mail. Where one of these had not been signed, (as in the cases sampled, which were oversights), the corresponding audit report or notification would have been signed, so we would be able to demonstrate segregation of duties.</p> <p>The force would be able to evidence segregation of duties as the corresponding audit report would have been signed by the payroll officer completing the checking.</p> <p>The tax code changes are received direct from HMRC and</p>	Nothing to implement as no change to existing practice	Head of Exchequer Services

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
				<p>the file is 'uploaded' into the payroll system. Again, the audit report would identify the payroll officer who had processed/checked this and the date processed.</p> <p>It was agreed in a previous audit that individual exception reports did not need signing as long as the person running the payroll signs the payroll 'check list'. Therefore, we would be able to identify who had completed these checks although the Constabulary would not take disciplinary action for a genuine mistake (only if there had been deliberate fraud).</p> <p>Audit Comment</p> <p>The Force should continue to ensure that independent checking of input is clearly documented.</p>		