



BEDFORDSHIRE, CAMBRIDGESHIRE AND HERTFORDSHIRE POLICE AND CRIME COMMISSIONERS AND POLICE

Dealing with BCH Internal Audits

FINAL

Internal audit report: 1.18/19

23 November 2018

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Debrief held

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Responses received 23 November 2018

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Final report issued 23 November 2018

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1 EXECUTIVE SUMMARY

1.1 Background

This review of the Internal Audit Process covering collaborative audits for Bedfordshire, Cambridgeshire and Hertfordshire (BCH) was agreed as a part of the tri-force collaboration section of the Internal Audit plan 2018/19. The scope of the review was agreed with Bedfordshire as the lead Force. The objective was to determine whether each organisation has been involved in a sufficient and timely manner when planning internal audit reviews.

To obtain opinions relating to the level of involvement of each organisation we conducted interviews with key individuals' involved in the BCH audit process. These included the Chief Finance Officers, Chief Executives and Joint Audit Committee (JAC) Chairs. We also conducted an interview with the current Interim Head of Change Portfolio.

Collaborative audits are undertaken with one force being the lead point of contact in agreeing the scope, the point of contact during the audit, and receiving the report and actions following completion of the fieldwork. Collaborated units has been split into three workstreams, with each Force taking responsibility for one area:

- Bedfordshire are responsible for Joint Protective Services (JPS) audits, including aspects such as the dog's unit, armed police and forensics;
- Cambridgeshire are responsible for Organisational Support audits, including Human Resources and ICT; and
- Hertfordshire are responsible for Operational Support audits, including Custody.

In order to perform this review, we met with or attempted to meet with each of the Chief Finance Officers, JAC Chairs and OPCC Chief Executives who are listed in appendix C of this report. Within these meetings we asked for their views of the following areas:

- Planning Process, including the reporting of BCH Strategic Risks to each JAC to inform the plan
- The agreement and circulation of individual scopes
- Review and feedback from Draft Reports
- Circulation and receipt of final reports
- The follow up of BCH actions
- Progress Updates on reviews, including monitoring timely engagement and delivery and escalation processes

1.2 Conclusion

Through discussion with the individuals we identified areas for improvement in the BCH audit process. It was felt by those interviewed that where collaborative audits were undertaken, and they were not the Lead, appropriate oversight was not being provided, with draft and final reports not being received by Chief Finance Officers of all three Forces to allow them to give feedback.

Additionally, where actions were raised, these would be managed and monitored by the Lead Force, with the other two JAC's not receiving oversight of the progress of those actions. We were also informed by some interviewees that it would be useful to have more involvement in the planning of audits, and that there was potential for further tri-force engagement between JAC Chairs.

1.3 Key findings

The key findings from this review are as follows:

Planning Process

Through discussion with key individuals at each organisation, the majority view was that the Planning Process was performed adequately. This is carried out through separate meetings with Chief Finance Officers to discuss the local and BCH risks impacting on the local Internal Audit Plan together with those impacting on BCH. These meetings are followed by a joint collaborative meeting with all the Chief Finance Officers for input into the BCH Internal Audit Plan across all three workstreams. Additionally, we identified that through discussion with the Commissioner's Chief Executive for Hertfordshire that although the process was working well with regards to how audits were identified, he would prefer greater involvement, such as organisational support audits.

Scope Circulation

It was expressed that the final approval of scopes should be continued to be carried out by the CFO of the Lead Force. However, in addition it was felt all Forces should be kept aware of collaboration audits with all CFOs receiving copies of scopes for oversight.

Draft Reports

The current process for draft reports is that the Lead Force will receive the reports and respond with any comments to RSM. The draft report is not received by the other Forces for their comment and is not distributed by the Lead Force. We identified that moving forward, it would be preferred that all CFOs be in receipt of Collaborative draft reports, regardless of the Lead to enable comment.

Final Reports

Final reports are currently reported to the JACs of each Force, including the key findings and areas of the audit that resulted in medium and high actions. Only the Lead Force receives the full report. As a result, individual JACs are not obtaining the level assurance they require that risks are being managed effectively. We have revised the Internal Audit Protocol to address this.

Follow Up of BCH Actions

Agreed management actions are retained on the Lead Force's action log and progress reports towards completion are issued to individual JAC meetings in the same way as if the action solely belonged to that Force. However, each JAC only has sight of actions for which their Force is the Lead and not for the other workstreams. Where action monitoring is not visible to each JAC for all BCH workstreams there is a risk that the each JAC is not obtaining the necessary assurance that all BCH actions are being completed, or that progress towards completion is being undertaken. We have revised the Internal Audit Protocol to address this.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness or examples of lapses identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Findings	Action
Area: Collaborative working on BCH audits		
1	<p>The planning process, including the reporting of BCH strategic risks to each JAC to inform the plan.</p> <p>Using the risk registers from each of the Forces, a plan of potential audits is developed. The initial planning meeting is carried out solely with the individual Forces, before a joint meeting is held where the collaboration areas are agreed.</p>	<p>The draft protocol has been updated in Appendix A below.</p>
	<p>Through discussion with the Constabulary Chief Finance Officers of each Force, we were informed that they felt that the planning process in its current form of individual meetings followed by a joint constabulary meeting between all Chief Finance Officers to agree on the areas to audit was working well.</p> <p>Collaborative Risk Register is not in use, significant risks are included in each Force's Strategic Risk Register for their individual workstreams, and therefore captured as part of the review of current risks during the planning process.</p> <p>Through discussion with the Commissioner's Chief Executive for Hertfordshire, it was expressed that although the process was working well with regards to how audits were identified, they would prefer greater involvement.</p>	

Ref	Findings	Action
	<p>However, it was felt that on the majority of audits, additional input would not be required, and the current process was appropriate. Through discussion with the Hertfordshire Police CFO, they felt the planning process was appropriate, and that where issues were identified with audits the CFOs would discuss these. To reflect the comments made above, a protocol has been developed for agreement by each of the Forces and is documented at Appendix A.</p>	
<p>2</p> <p>The agreement and circulation of individual scopes.</p> <p>The detailed scoping of individual audits is carried out with the Lead Force, with input gathered from the other two Forces during initial scoping meetings with each of the Chief Finance Officers.</p> <p>The Lead Force is responsible for agreeing the final version of the scope providing the approval.</p>	<p>Through discussion with each of the Chief Finance Officers in each case it was felt that the approval of scopes should only be provided by the Lead Force with ownership over that area.</p> <p>However, at present following approval, scopes are not distributed to all Leads. Through discussion, we identified that in some cases it was felt that it would be useful to receive the scopes following approval, in order to ensure all key contacts to have oversight of the areas being audited within their organisation.</p> <p>We were informed by all relevant staff that there is no Protocol document in place for the processes to be followed with regards to BCH audits, and as a result at present, finalised scopes, draft and final reports, and actions are only sent to the Lead Force. To address this, a new protocol has been developed and is attached at Appendix A.</p>	<p>The draft protocol has been updated in Appendix A below.</p>
<p>3</p> <p>The review and feedback from draft reports.</p> <p>The Lead Force is responsible for agreeing the draft report. Reports are distributed to the Lead Force CFO for review with no formal</p>	<p>Through discussion with the CFO's we identified that in two out of three cases they would like to be able to see the report for BCH audits at draft stage to provide feedback. In the remaining case, although it was felt that they would not need to see the report, there was the expectation that where issues had arisen, the other Force CFOs would inform them.</p>	<p>The draft protocol has been updated in Appendix A below.</p>

Ref	Findings	Action
	<p>process in place for other forces to engage in feedback on BCH reports.</p> <p>In the absence of a formal process in place with regards to the distribution of draft reports to Leads at each Force, there is a risk that they will not be made aware of issues nor able to provide feedback.</p> <p>Through discussion with the CFOs of the OPCC's and the Chief Executives, as well as the JAC Chairs the desire would be that the Constabulary CFOs would be involved in reviewing the draft report, providing comments where necessary, although the overall agreement of the Draft Report should still be provided by the Lead Force.</p>	
<p>4</p> <p>Change Portfolio Team</p> <p>The Change Portfolio Team sits outside of all three forces but was initially set up to deliver collaboration across all three forces.</p> <p>Over time the role of the Team has changed and at present they have very little involvement with the Internal Audit Process.</p>	<p>We also discussed with the Interim Head of Change Portfolio over their involvement with the Internal Audit Process and found that at present they have minimal involvement.</p> <p>The team was initially set up to assist in the delivery of Collaboration, however over time its focus has changed, with more emphasis currently on transformational change, workforce change and technological change.</p> <p>The Team works on projects related to all three and it was expressed that the Change Portfolio Team would be well placed to assist in supporting audits where communication is key, such as the coordination of comments on reports, chasing of actions and updates on the progress of actions.</p> <p>Whilst support from the Change Portfolio Team may be useful in assisting, there was concern from two of the CFOs that where control for audits is not retained by the Force CFO, then it may take longer to get decisions made. As a result, the involvement of the Change Portfolio Team has not been reflected in the protocol, but the process for their involvement should be considered by each of the Forces, before amending the process.</p>	<p>The draft protocol has been updated in Appendix A below.</p>

Ref	Findings	Action
<p>5</p> <p>The circulation and receipt of final reports.</p> <p>Final Reports are issued to the Chief Finance Officer of the Lead Force, and the relevant leads for the audit. There is no formal process in place for the review of the final reports more widely, and as a result reports are not further disseminated to the other forces for comment with management challenge only received from the Lead Force.</p>	<p>Final BCH reports are issued to the quarterly JAC meetings of the Lead Force. However, final reports in their entirety are not presented to Force or JAC that are not the Lead Force. It was expressed across all interviews with Constabulary CFOs, OPCC CFOS and JAC Chairs that the final report should be issued in full to each of the JACs'.</p> <p>As a result, we were informed that at times it felt as if issues reported to the Lead Force were being received by other Forces too late for them to be involved in ensuring the correct decisions are made to correct any risks.</p>	<p>The draft protocol has been updated in Appendix A below.</p>
<p>6</p> <p>The follow up of BCH actions.</p> <p>Where BCH actions are raised in an Internal Audit report, these are recorded by the Lead Force and monitored on their action log. These actions are then reported to the JAC for that Force.</p>	<p>The current process for the follow up and monitoring of actions is that actions raised will be tracked by the Lead Force. The progress towards completion is reported to each meeting of the JAC for that Lead Force.</p> <p>Each JAC will not be aware of actions resulting from BCH Internal Audit reports for which their Force is not the Lead.</p> <p>Through discussion with each of the Chief Finance Officers, we identified that each felt that it would be of greater value for a standardised action log to be in place, to allow updates of shared actions to be reported on at JAC meetings to increase the oversight.</p>	<p>The draft protocol has been updated in Appendix A below.</p>
<p>7</p> <p>Progress updates on reviews, including monitoring timely engagement and delivery and escalation processes.</p> <p>Updates are provided to the Lead Force from one point of contact at RSM. Engagement from the relevant staff members is kept in line with the standardised processes upon</p>	<p>We were informed that where progress updates are provided by RSM the updates are useful and timely, and that the relationship with the coordinating teams is good.</p> <p>We were informed that monthly update reports were currently being supplied keeping the Leads up to date on the process. We also were informed that Leads would inform one another of any reasons as to why a Collaborative audit intended to go ahead may no longer be occurring.</p>	<p>The draft protocol has been updated in Appendix A below.</p>

Ref	Findings	Action
<p>receiving reports, as reports are not disseminated to other forces.</p> <p>There is no formalised process between Forces for updating in the event of delays or providing updates for an audit, with updates only provided in internal audit progress reports.</p>	<p>However, were informed that it would be preferred if there was a more standardised process in place for Joint Audit Committee Chairs to meet. At present, the Cambridgeshire Audit Committee Chair has attended one Bedfordshire JAC meeting, however a formal process has not been agreed to ensure that the three Audit Committees are working together effectively, and this has been added to the protocol below.</p>	

APPENDIX A: BEDFORDSHIRE, HERTFORDSHIRE AND CAMBRIDGESHIRE POLICE INTERNAL AUDIT PROTOCOL

Your Service

What is Internal Audit?

Internal Audit's role is to provide independent assurance on risk management, governance and internal control processes. A proportion of this work is in relation to financial controls with the remainder looking at other types of risk including strategic, operational, reputational and regulatory risk.

What is Internal Audit's our role within an organisation?

Internal Audit undertake a programme of work for each force, which incorporates the force specific audits to be undertaken and also includes the collaboratives audits which will be undertaken across each of the tri-force, with one force taking the lead for the approach. The plan, which is agreed for each force by the respective Joint Audit Committee at the beginning of each financial year on a risk-based approach.

The primary role is to provide the Joint Audit Committees with assurance as to how well risks are being managed within the respective force. Our secondary role is to provide advice to management on how to improve your internal control framework.

The process for organising and managing audits for Bedfordshire, Cambridgeshire and Hertfordshire Collaboration has evolved over the years as the number of collaborated units has grown. Collaboration has been split into 3 workstreams with each Force taking responsibility for one of the following areas.

- Bedfordshire – Joint Protective Services (JPS)
- Cambridgeshire – Organisational Support
- Hertfordshire – Operational Support

Your Service Delivery

Planning approach

Individual Assignments (Force specific)

For each of the individual audits specific to each Force, we will meet with each Force individually and based on your risk registers and concerns put together an annual plan for their individual areas, and what each Force thinks we should cover as far as collaboration for the workstream they manage and the others.

BCH Assignments (Collaborative)

The next stage is a joint meeting between RSM and the Tri-Force where the collaboration areas are agreed. For collaboration risks, these will be identified through working through to each Force's own Strategic Risk Register for those workstreams they manage.

Individual assignment methodology

Assignment Planning Sheet (Scope)

Once the audit plan has been developed and approved, we would move to the planning stages for each individual audit assignment and this typically includes the following stages:

The development of an Assignment Planning Sheet (APS) following discussions with the key sponsors for our reviews. The APS will be agreed in advance with you before our review is scheduled to commence.

The APS will cover details of the objectives of the review, key risks associated with the review and will also detail our areas of focus during the review, and when we will be carrying out testing and the estimated time allocated for the assignment.

We will agree the most suitable member of the team to undertake each assignment (this may vary dependent on seniority of auditee, profile of assignment and skills required to deliver effectively).

Although it will be the responsibility of the Lead Force to approve the APS for collaborated areas, the draft will be circulated to each of the CFO's for comment.

Fieldwork

Throughout all stages of the audit assignment, we operate a clear 'no surprises' policy - this means that the audit sponsor and key stakeholders will be kept up to date verbally as the review progresses if any significant issues are identified.

Debrief

There will be a clear debrief to management at the end of the fieldwork which will identify 'proposed management actions' rather than recommendations. These will need to be discussed we will then be available to respond to any comments at a draft report stage.

Review and Approval of Draft Reports

Force specific reports

Where an audit is issued in draft, a copy of the draft report will be uploaded to Sharefile, our secure portal for the issuing of reports for the relevant force to review for Bedfordshire and for Cambridgeshire. For Hertfordshire a copy of the draft report will be emailed.

Collaborative reports

For collaboration audits, the draft report will be issued to the Lead Force. The lead Force will be responsible for ensuring the accuracy of the report and that appropriate timescales and owners for implementation of the actions have been assigned and returning the completed draft report to RSM for finalisation. The Lead Force will be responsible for sharing the report with other CFOs and collating their input to respond to the draft report within the agreed timelines, which will allow the report to be finalised in a timely manner.

Review and Approval of Final Reports

Force specific reports

Once the draft report has been approved by the Force including owners and completion dates for actions, it will be finalised, and a final version sent through Sharefile (for audits relating to Bedfordshire and Cambridgeshire Police) and via email for Hertfordshire Police.

Collaborative reports

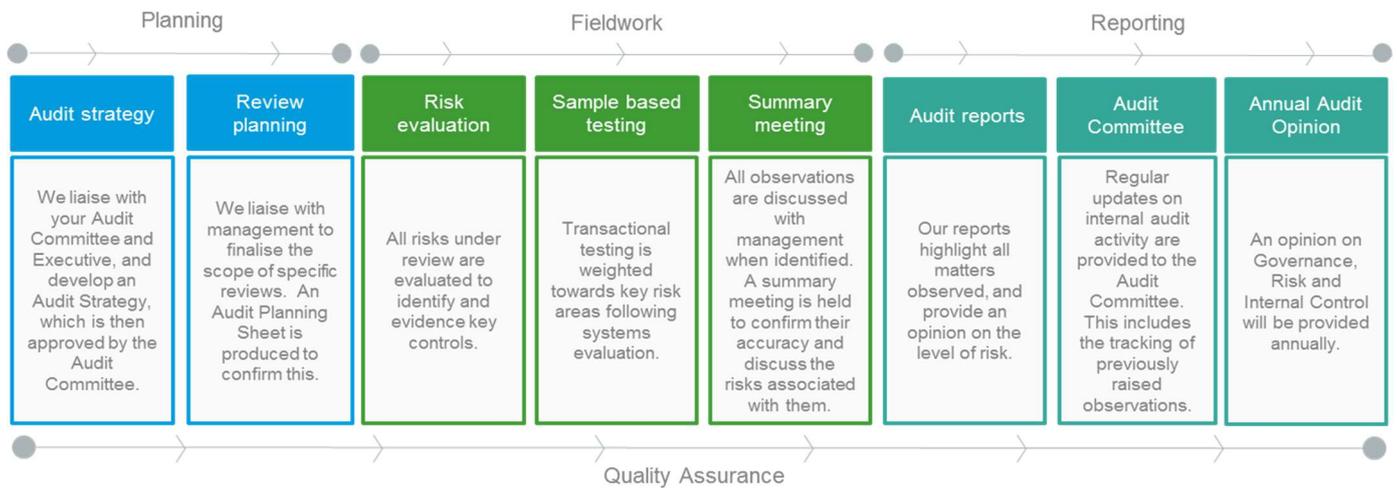
Once the draft report has been approved by the Force including owners and completion dates for actions, it will be finalised. Once finalised, the report will be distributed by either Sharefile or email to the Lead Force who will share the report with the other CFOs'

Follow Up

Each Force monitors the completion of local and BCH actions where they are the Lead Force and report these to their JAC. RSM will perform our own follow up to validate the accuracy of those reports each year and report those findings to each JAC. The leads at each Force who monitor actions will share progress for BCH actions in advance of each JAC meeting, those individuals will agree the format and timing of those reports to ensure they are ready for each JAC meeting. The Internal Audit follow up reports will include a summary of all BCH actions.

The Internal Audit Process

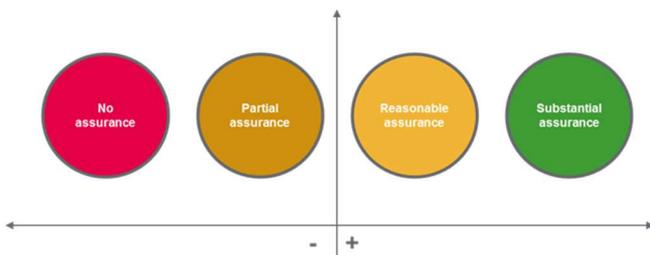
The diagram below outlines our approach:



RSM Assurance Opinions and Definitions of Action Prioritisation

Our opinions range from red (no assurance) through amber/red and amber/green (partial assurance and reasonable assurance) to green (substantial assurance).

OVERALL ASSURANCE OPINION



ACTION PRIORITISATION



Our work is underpinned by a consistent and risk based methodology. All of our management actions are tailored to your scale and complexity

Our Requirements

What do we need during the audit?

- When working onsite, we will require a desk or a space to base ourselves.
- We will require meetings to commence the review where we establish and document the controls in place and debrief meeting where we feedback the findings of our review and discuss the proposed management actions.
- We will require access to the information requested as identified within the APS, where IDEA testing is being performed, this will be required ahead of the audit review.
- Access to key people involved during the audit process (a list of key contacts will be agreed with you as part of the scoping process) and will identify our 'go-to' individuals to complete sample testing and fieldwork.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objectives of the area under review

Each organisation receives sufficient involvement in the scoping of Collaboration Internal Audits and information of the results of those Audits

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

A process review of how BCH internal audits are scoped, completed and reported to identify any potential areas for improvement or different options.

We will meet with the CFOs' for each organisation together with the Chairs' of the Joint Audit Committees to review the current process and ensure they are content with the current process or suggest changes based on the feedback received:

- The agreement and circulation of individual scopes.
- The review and feedback from draft reports.
- The circulation and receipt of final reports.
- The follow up of BCH actions.

We will also contact other JAC Members for the opportunity to feedback to us their views of the current process either directly or via the JAC Chair.

Limitations to the scope of the audit assignment:

This review will be limited to the process described in the areas of consideration and will not consider any other information flows to or between the JAC's.

APPENDIX C: FURTHER INFORMATION

Persons interviewed during the audit:

Phil Wells - Assistant Chief Officer, Bedfordshire (Force and OPCC)

Niki Howard - Chief Finance Officer, Cambridgeshire (Constabulary)

James Hurley - Director of Resources, Hertfordshire (Constabulary)

Stuart Goodwin - Senior Accountant, Bedfordshire (Constabulary)

Jagtar Basi - JAC Chair, Bedfordshire

Clare Kelly - Chief Executive, Bedfordshire (OPCC)

Matthew Warren – Chief Finance Officer , Cambridgeshire (OPCC)

Simon Smith - JAC Chair, Cambridgeshire

Rebecca McCollough - Interim Head of Change Portfolio

Ian Rooney – Chief Finance Officer, Hertfordshire (OPCC)

Chris Brace - Chief Executive, Hertfordshire(OPCC)

We were unable to meet with the following members of staff:

Dorothy Gregson – Chief Executive, Cambridgeshire (OPCC)

Paul Smith – JAC Chair, Hertfordshire.

FOR FURTHER INFORMATION CONTACT

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