

2013 Internal Audit Reports

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INTERNAL AUDIT REPORT

**A REPORT FOR
CUMBRIA OFFICE OF THE POLICE & CRIME COMMISSIONER**

A REPORT ON

Management of Change Costs – Grade 1 Recommendation Follow Up

Draft Report Issued: 5th March 2013
Final Report Issued: 11th March 2013

1.0 INTRODUCTION

1.1 In March 2012 Internal Audit undertook a review of Management of Change Costs, as part of the 2011/12 internal audit plan. One grade 1 recommendation was made as part of this review:

‘Formal written evidence of Voluntary Redundancy approval from the Deputy Chief Constable should be secured in all cases, in accordance with the Voluntary Redundancy Scheme’.

1.2 In March 2013 Internal Audit conducted a follow up audit of this grade 1 recommendation to ensure it had been implemented.

1.3 The contacts for this review were:-

- Andrew Taylor – Head of Human Resources
- Kerry Rogerson – HR Business Partner (Directorates)

2.0 SCOPE

2.1 The scope of the audit was to ensure that the grade 1 recommendation made in the March 2012 audit report had been implemented and to ascertain whether the controls in place for authorising voluntary redundancies are adequate and are being adhered to.

3.0 CONCLUSION

3.1 Internal Audit concludes, that on the basis of testing, the grade 1 recommendation has been implemented and controls around the mechanism for securing Deputy Chief Constable approval have been tightened.

4.0 DETAILED FINDINGS & RECOMMENDATIONS

4.1 One grade 1 recommendation was made during the March 2012 Internal Audit Review of Management of Change Costs (Assignment Ref J110011). The recommendation is reviewed, in conjunction with the action agreed following the audit, to determine progress made.

Report Ref: 4.3.11 (Grade 1)		
Detailed Recommendation	Person Responsible	Agreed Action
Formal written evidence of Voluntary Redundancy approval from the Deputy Chief Constable should be secured in all cases, in accordance with the Voluntary Redundancy Scheme.	Head of Personnel Services	The Deputy Chief Constable will be requested to sign a Formal Written Approval for all future VR Applicants

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- 4.2 Voluntary redundancy applications are subject to a business case. A tightly controlled system is in place whereby each case must be considered and costed against predetermined criteria. The cost benefits must be clarified and a risk analysis undertaken to support the rationale for approval recommendation. For instance there is a need to demonstrate that a voluntary redundancy generates a cheaper alternative to the compulsory redundancy of someone on the at risk register.
- 4.3 Change Management Policy and Procedures require that each business case is presented to the Deputy Chief Constable for consideration. An employee cannot be released until written confirmation is received from the Deputy Chief Constable. This confirmation was sighted for 70% of the cases reviewed during the March 2012 audit review, leading to the above grade 1 audit recommendation.
- 4.4 In response to the grade 1 audit recommendation the Head of Personnel Services agreed to request formal written approval for all future voluntary redundancy applications from the Deputy Chief Constable. This agreed action would be implemented on 1st May 2012. A 'Voluntary Redundancy Consideration' form was developed for this purpose. The form requires the Deputy Chief Constable to indicate whether the voluntary redundancy application has been approved, rejected or approved with conditions before signing and dating. The form is presented with each business case for completion.
- 4.5 The Human Resources Department provided details of voluntary redundancies during the 2012/13 financial year to date. There were 17 cases on the list and a sample of 10 was selected for review. Approval for four of the cases pre-dated the audit recommendation for formal hard copy sign off. However tests confirmed that the Deputy Chief Constable had signed a formal approval document for the remaining six voluntary redundancy cases in accordance with the Voluntary Redundancy Scheme.



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AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
PAYROLL**

Draft Report Issued: December 2012
Final Report Issued: March 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review in November 2012 of the controls in place for the administration of Police payroll as part of the 2012/13 internal audit plan.
- 1.2 The provision of the payroll service is currently undertaken by Cumbria Police Payroll staff. The Northgate Resourcelink payroll system is used. This is owned and maintained by Capita Business Services Ltd. (“Capita”) which is based in Carlisle. The calculation of gross to net pay is undertaken by Police payroll staff with Capita being responsible for the pay advices, undertaking system maintenance and producing end of year returns by Electronic Data Interface (EDI) to HM Revenue and Customs.
- 1.3 A restructure has taken place since the previous audit review of payroll, which has seen the payroll and HR functions coming together under Employee Services within the Central Services Department. It was stated that there may be future changes to roles where payroll and HR staff have more of a dual role, particularly when a move is made to better integrate the HR and payroll systems which is the current plan. If this occurs it should be ensured that an adequate segregation of duties remains in place.
- 1.4 The Payroll and Transactional Services Manager has recently been appointed and is currently in the process of training the Employee Services Team Leader in the payroll process.
- 1.5 Further future plans include the development of a self-service tool for online payslips and for the introduction of online overtime and expense systems. This is not yet in place and the testing of these payments during this review related to manual claim forms only.
- 1.6 Gross Police payroll year to date costs for April to November 2012 are approximately £44.5 million, averaging £5.6 million a month.
- 1.7 The following staff provided information for this review:
 - Alison Hunter, Payroll and Transactional Services Manager
 - Michelle Blenkinsopp, Administrative Officer
 - Jennifer Horn, Administrative Officer
 - Nicky Mair, Administrative Officer.

2.0 SCOPE

- 2.1 The following table indicates the associated risks for each individual area reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Access	Unauthorised access. Inappropriate amendment. Loss of data or processing facilities.
Procedures	Inability to operate system due to lack of operating instructions and unavailability of experienced staff. Erosion of key controls due to operating shortcuts.

KEY CONTROL AREA	KEY POTENTIAL RISKS
Input	Unauthorised / incorrect payment. Delays in processing. Uncorrected errors. Payment to unauthorised bank account.
Deductions	Incorrect deductions. Late payment to third parties, potentially resulting in financial penalty for statutory deductions.
Reconciliation	Inaccurate or incomplete accounting information. Unidentified errors.

3.0 SUMMARY

3.1 EVALUATION

3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.

3.1.2 Evaluations of controls following testing carried out during this review:

PAYROLL CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Access	Good	-	-	-	5.1
Procedures	Good	-	-	-	5.2
Input	Good	-	-	-	5.3
Deductions	Good	-	-	-	5.4
Reconciliation	Satisfactory	-	1	-	5.5
Overall evaluation	Good	-	1	-	

3.2 CONCLUSION

3.2.1 Payroll processes are well established and no major areas of concern were identified as a result of testing. However, there is a need to ensure that appropriate arrangements are in place to cover tasks during staff absence and peak pressures.

3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed

- Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
- Grade 3: Minor recommendation made to improve the system under review

3.3.2 One recommendation has been made as a result of testing carried out, and is included in Appendix A – Summary of Recommendations and Action Plan.

4.0 FOLLOW-UP

4.1 No recommendations were made during the previous review of Police Payroll in January 2012.

5.0 PAYROLL RESULTS

5.1 Access

5.1.1 The payroll system is owned and administered by Capita. Access is restricted to authorised users and can be read only if necessary. Current users with access to the system were appropriate.

5.1.2 Suitable physical and electronic security is in place to protect payroll records.

5.1.3 Disaster recovery procedures are covered as part of the contractual agreement with Capita and are considered adequate by Central Services. Any known issues would be reported to the Payroll and Transactional Services Manager / Head of Central Services.

5.2 Procedures

5.2.1 Detailed sets of operational procedures are maintained within Payroll. It was stated that these are to be reviewed in light of some minor changes and with the intention of including HR processes in them as well, now that the sections have joined together. Timetables are produced annually, which detail various deadlines for the input of data and payroll processing.

5.2.2 To ensure all stages of the process are completed in the appropriate order and to the required timescales “pay cycle checklists” are used which break the complete pay-run down into a series of actions which must be completed. These are used to control the workload, and are signed off by the Employee Services Team Leader / Payroll and Transactional Services Manager as each stage is completed.

5.2.3 With the planned implementation of more integrated HR and payroll systems it is anticipated that HR and payroll staff will fulfil a dual role. If this occurs it should be ensured that an appropriate segregation of duties is maintained.

5.3 Input

5.3.1 A sample of employees was traced from the payroll system to source documentation. Details were entered correctly into the system and documents were approved by appropriate staff.

- 5.3.2 Overtime claims for Police Officers and Police Staff are reconciled to the payroll system prior to payment. A sample of entries within the payroll system was verified to official, approved documentation.
- 5.3.3 Expense claims were included as part of testing. All payments agreed from the payroll system to the supporting documentation.
- 5.3.4 A sample of five sickness payments was tested. Audit testing was limited to confirming that manual self certification / doctors notes were received for the period of absence being paid for and that payments were at the correct rate. One of the sample had been paid for two days more than the doctors note covered (based on the date the employee stated absence had ended), and this was being followed up by payroll staff.
- 5.3.5 A sample of five maternity payments was tested. Dates agreed from the MATB1 forms to the payroll system and the employees appeared correctly paid based on the constabulary's occupational maternity scheme and statutory entitlements.
- 5.3.6 A sample of new starters from the current financial year was selected for testing. All had evidence of vetting and references on file, where applicable. It was found that one had a different address recorded on the payroll system to the HR system, otherwise all details agreed between the two systems. It was discovered that the employee had subsequently changed address and that this change had been reported to HR so that system had been updated. Payroll had not received this notification, though they would have if the employee had used the self service tool to update their address as payroll receives automatic email notifications via this method. It was stated that Payroll and Transactional Services Manager would ensure that all staff know that notifications sent direct to HR should be passed to payroll and that planned data cleansing of the HR and payroll systems in December 2012 should identify any further discrepancies.
- 5.3.7 A sample of leavers was also selected for testing. It was confirmed that pay ceased on the last day for the entire sample and that where appropriate payments were made in respect of unused annual leave / time off in lieu.
- 5.3.8 Testing performed on the sample provided adequate assurance that controls are in place to ensure the accuracy of information entered into the system.
- 5.3.9 A monthly exception reporting routine is in place, which identifies specific anomalies within the pay-run. These are checked by the Administrative Officers and the Employee Services Team Leader / Payroll and Transactional Services Manager to identify and correct anomalies prior to processing. Reports are produced, checked and cleared on a monthly basis.
- 5.3.10 Basic salaries on a graded scale are attached to individual posts within the payroll system. Standard salaries are input to the system on an annual basis, based on nationally agreed pay-scales provided by the Police Negotiating Board. Police staff earning below £21,000 received a pay increase in September 2012 (along with a one off lump sum payment), but police officers did not receive one. Employees sampled were all paid salaries in accordance with guidance.

5.4 Deductions

5.4.1 Deductions are automatically calculated within the payroll system. The Payroll section extracts deductions from system prints and maintains a spreadsheet of deductions due within the current month. Appropriate creditor payments and journals are arranged from information in the spreadsheet.

5.4.2 A walk through of a sample of September’s deductions was undertaken which confirmed that deductions were accurate, authorised and paid to the appropriate third party on a timely basis.

5.5 Reconciliation

5.5.1 Cost allocation details are included on costing files from Capita, which are received and actioned in Payroll. Payment runs are uploaded to the Main Accounting System by Finance.

5.5.2 Financial Services Officers are no longer issued with monthly reports detailing all payroll payments charged to their delegated cost centres as employee numbers are now recorded in the main accounting system against pay transactions, meaning they can now access the required information themselves. The monitoring of payroll budgets has been centralised with officer and PCSO pay monitored by one Financial Services Officer and police staff pay by another.

5.5.3 The Payroll and Transactional Services Manager reconciles gross to net pay as part of the monthly checking process. Variations within the various pay elements are analysed monthly.

5.5.4 The Payroll and Transactional Services Manager reviews and approves payment runs, which are then initiated by Capita.

5.5.5 Several control accounts have been set up within the accounting system, which effectively reconcile uploaded accounting information to payments made. Reconciliations are performed on a monthly basis. A review of reconciliations found that they were not undertaken for the current financial year until August. We were informed that this was due to a combination of a new financial reporting tool, implemented as part of the upgrade of the financial system, not being available in the early months of the year; staff maternity leave and other staff prioritising year-end work. Reconciliations were brought up to date once maternity leave had ended and had been reviewed by a senior officer (all reconciliations were reviewed in October 2012). Even with staff absence, reconciliations should be undertaken and reviewed timely wherever possible so that any issues can be identified and resolved promptly.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	Appropriate arrangements should be put in place to ensure that tasks (reconciliations) are undertaken timely during staff absence and peak pressures. (Grade 2).	<ul style="list-style-type: none"> Issues not identified timely.

**CUMBRIA CONSTABULARY
PAYROLL ADMINISTRATION**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Appropriate arrangements should be put in place to ensure that tasks (reconciliations) are undertaken timely during staff absence and peak pressures.	2	Financial Services Manager	The demands on the financial services team at the start of the 2012-13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritised based on an analysis of risk. On an on-going basis it is intended that payroll control account reconciliations will be undertaken on a timely basis.	October 2012

ACTION PLAN AGREED BY:	Michelle Bellis – Financial Services Manager	DATE:	01 March 2013
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ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:	Roger Marshall – Head of Financial Services	DATE:	08 March 2013
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SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
CREDITOR PAYMENTS
& PETTY CASH**

Draft Report Issued: February 2013
Final Report Issued: March 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of the controls in place for creditor payments and HQ Petty Cash in January 2013 as part of the 2012/13 internal audit plan.
- 1.2 The Constabulary introduced a new i-Procurement purchasing system in April 2012 and now all orders are processed through it.
- 1.3 As at the end of December 2012, creditor payments for the current financial year totalled just over £35.5 million.
- 1.4 Information during this review was provided by staff in the Central Services and Financial Services departments.

2.0 SCOPE

- 2.1 The following table indicates the associated risks for each individual area reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Creditor Payments	<ul style="list-style-type: none"> • Payment of incorrect amount • Inappropriate purchases • Payment to wrong supplier • Delay in payment • Accounts do not reflect actual expenditure
Petty cash	<ul style="list-style-type: none"> • Inappropriate use of petty cash • Unauthorised transactions • Unsupported transactions

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 Evaluations of controls following testing carried out during this review:

CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Creditors	Satisfactory	-	2	1	5.0
Petty Cash	Good	-	-	-	6.0

3.2 CONCLUSION

Creditors

3.2.1 A new electronic procurement system has been implemented this financial year. All items processed through this system were authorised as per the built in hierarchy determined by the Constabulary. The requisitions approval list for non-order invoices should be updated so that there are no codes without authorisers against them. This will assist staff responsible for obtaining authorisation for non-order invoices to confirm the appropriate authoriser.

3.2.2 There are reconciliations in place both within the Accounts Payable ledger, undertaken by Central Services Department staff, and between the Accounts Payable ledger and the control account balance in the General Ledger, which are undertaken by staff within the Financial Services department. These reconciliations are now undertaken monthly. However, the first reconciliation of the Accounts Payable Ledger to the General Ledger did not take place until September 2012 due to staff time pressures.

Petty Cash

3.2.3 Since the previous audit review, the imprest level has been reduced and all petty cash bank accounts have been closed. Reimbursements and reconciliations are undertaken regularly and expenditure appeared reasonable.

3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed
- Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
- Grade 3: Minor recommendation made to improve the system under review

3.3.2 Three recommendations have been made as a result of testing carried out, and are included in Appendix A – Summary of Recommendations and Action Plan.

4.0 FOLLOW-UP

4.1 One recommendation was made during the previous review of Creditor Payments (January 2012) and two recommendations were made during the previous review of Petty Cash (February 2011).

4.2 Actions taken to address these were followed up below:

RECOMMENDATION & GRADE	POTENTIAL RISK IF NOT ACTIONED	AGREED ACTION (IMPLEMENTATION DATE)	ACTION TAKEN / COMMENTS
Staff should be reminded of the Financial Regulations, to ensure that: <ul style="list-style-type: none"> only authorised staff, as per the budget delegation sheet, authorise orders; orders are completed for all purchases; there is segregation of duties in the ordering and receiving process. 	2 <ul style="list-style-type: none"> Poor financial management Unauthorised expenditure 	W.e.f. 1 April 2012 the current financial system will be upgraded and a procurement element implemented. This will completely change the way orders are processed, and the new system will ensure all orders are authorised in line with the Constabulary's authorisation hierarchy. (1 ST April 2012)	I-Procurement element implemented and Financial Regulations are currently in draft following the move to a Police and Crime Commissioner.
The list of staff authorised to receive CHIS payments should be kept up to date	3 <ul style="list-style-type: none"> Poor financial management 	Update the list of staff authorised to receive CHIS payments (15/12/11 – Completed).	N/A – CHIS payments no longer made via petty cash.
Outstanding advances should be regularly reviewed and included in the petty cash reimbursements as soon as practicable	3 <ul style="list-style-type: none"> Poor financial management 	Review all outstanding advances and process through the Petty Cash imprest (31/03/11).	Outstanding advances processed.

5.0 CREDITOR RESULTS

- 5.1.1 The Financial Regulations are currently in draft following the change to a Police and Crime Commissioner and the Financial Rules are due to be updated. Once approved they will be placed on the force intranet as with previous versions.
- 5.1.2 With the implementation of a new i-Procurement system relevant staff were provided with training and support materials. The Central Services Department has also produced its own process maps and documents on certain aspects of the system.
- 5.1.3 Under the new system individuals' tasks are restricted by their system access levels and mandatory fields ensure all required data is present before the system will process requests.
- 5.1.4 Requests for goods or services are initiated by completing a request form on Sharepoint which then must be authorised by the appropriate Manager. The completed Sharepoint form is automatically sent to the individual's line manager for approval (this is taken from information in the Origin HR system).

- 5.1.5 Following approval, these Sharepoint forms are automatically forwarded to the Central Services Department for processing. A requisitioner within CSD procurement desk picks up the request, turns it into a requisition. All requisitions are then forwarded automatically for authorisation as per the approvals hierarchy built in to the system (based on category codes of items being requested and requisition values). Depending on the category code of the items in the requisition, some requisitions under £250 in value are designated as self-approved as set out in the scheme of delegation. It was noted that requisitioners are able to alter who the requisition is sent to for approval but the requisition will not go forward to the next stage of processing if the value exceeds the approvers limit or the approver does not have authority to approve expenditure on the category. Alternative approvers are only generally sought when an approver is absent and has not activated vacation rules within the system.
- 5.1.6 A small number of people outside the Central Services Department were specifically chosen to also be requisitioners so that they could raise their own requisitions due to the specialist nature of some items, for example in estates, fleet and IT. Some of these requisitioners are also able to authorise requisitions and if, as per the approvals hierarchy, they are able to approve the requisition they raise themselves the requisition is auto-approved and goes to the next stage of processing. Furthermore, some of these requisitioners can also goods receipt. Therefore there are a limited number of people able to raise a requisition, 'approve' it where it relates to an item they can approve and also goods receipt it. There is an adequate segregation of duties within the process as these requisitioners cannot turn the requisition into an order.
- 5.1.7 Processed requisitions are turned into supplier orders by 'buyers'. Six staff (three in the Central Services department and three in procurement) have 'buyer' access levels but it was stated that only two of these staff actually perform the role. 'Buyers' cannot raise a requisition or receipt goods so there is an adequate segregation of duties in the process.
- 5.1.8 A variation to the normal process is in regards to hire car and travel and accommodation bookings where normal i-procurement processes are followed for the requisition and approval stages, however orders are subsequently placed directly via supplier websites as per the agreed booking process with Enterprise and Redfern Travel, rather than from the Oracle system.
- 5.1.9 If an order is over £10,000 it is automatically sent for further authorisation, based on a separate purchasing hierarchy set up in the system, before it is sent to the supplier. This is designed to ensure that the proper procurement processes are followed in accordance with contract standing orders.
- 5.1.10 Items ordered through the i-Procurement system must be 'goods receipted' onto the system before payment can be made to the supplier (even if the invoice has already been entered). Currently, 83 people are able to receipt goods in the system, including Central Services staff and some front counter / administrative staff.
- 5.1.11 There are a number of reasons where invoices entered on the creditors system relating to an order will automatically be placed on hold and not paid (for example where the goods have not been receipted or where prices do not agree to the order). Reports are run regularly to determine where further action can be taken to reduce the number of invoices on hold and pay them.

- 5.1.12 A number of purchases remain outside the i-Procurement system for items where orders are not used, for example utility bills. These are referred to as non-matched invoices and work is ongoing within the Central Services Department to reduce the number of non-matched invoices for processing.
- 5.1.13 The hierarchy of individuals (by their job title) authorised to approve requisitions is used by Central Services staff to determine who can authorise non-order invoices. This list is managed and updated by the Financial Services department who have control over who has authorisation to approve requisitions.
- 5.1.14 It was noted that there are a number of category codes on the hierarchy list which do not have authoriser details against them and not all codes in use are on the list. A complete list of codes and authorisers should be maintained to inform staff seeking authorisation for non-order invoices of approved authorisers.
- 5.1.15 A sample of 46 payments to suppliers was reviewed. 15 of these had been processed through the i-Procurement system, 27 were non-order invoices and four were orders entered on the existing Tranman (fleet) system.
- 5.1.16 Invoices reviewed were bona fide, expenditure and coding appeared reasonable and in line with business requirements based on the description of items as per the invoices.
- 5.1.17 All items sampled that were processed through the i-procurement system followed the specified route and hierarchy determined by the Constabulary.
- 5.1.18 Four invoices, authorised by the same person, appeared incorrectly authorised based on the coding of the invoices and the requisition approvals hierarchy provided. However, these invoices were correctly authorised as this person had authorisation under the scheme of delegation and this was confirmed by the Financial Services Officer but this was not reflected in the approvals hierarchy listing. This list has since been updated. One of these invoices was coded to a code not on the hierarchy list.
- 5.1.19 A further two invoices sampled were coded to codes not on the requisitions hierarchy list so it could not be determined who could authorise them, though authorisations appeared appropriate.
- 5.1.20 Two other non-order invoices were incorrectly authorised based on coding and the requisition approvals hierarchy.
- 5.1.21 During processing, invoices are scanned and attached to the record in Oracle, which allows people to drill down and view the invoice without the need to request a paper copy of it.
- 5.1.22 The majority of payments are processed by BACS. Access to the BACS system is restricted and effectively controlled. Prior to the payment run a list of all proposed payments is sent to Finance for approval. Once received, the payment is processed and reports from pre and post-processing are taken to Finance for signing.

- 5.1.23 Cheque payments are written out by staff who have access to enter invoices into the system. Whilst it is advisable to have a segregation of duties between these roles, it is noted that cheques and the documents initiating their payment require two authorised signatures before being sent out and that the Business Services Team Leader updates the system to show the invoices as paid.
- 5.1.24 Controls are in place to prevent duplicate payments occurring, including the creditors system not allowing an identical invoice number to be entered against a supplier account where it has already been processed. This control relies on staff entering invoice numbers in a consistent manner and it was stated that this has been discussed with them by the Business Services Team Leader. Cumbria Constabulary is also involved in the biennial National Fraud Initiative data exercise which helps to identify any duplicate creditor payments and submitted its data for the latest exercise in October 2012. No major issues were identified in the 2010/11 exercise and findings were reported to the Governance Committee.
- 5.1.25 The Accounts Payable ledger balance is reconciled to the control account balance in the general ledger, this process takes place in two stages. Firstly, Central Services Department staff carry out a reconciliation of the creditors system within itself (i.e. outstanding invoices brought forward + new invoices raised – invoices paid = outstanding invoices at the end of the period). This reconciliation is undertaken on a monthly basis before the AP period (month) is closed down and moved forward. The second reconciliation takes place within Financial Services and reconciles the above figures to the figures held within GL in the creditors control account. Whilst the first stage was undertaken on a monthly basis from April the reconciliation between AP and GL was only brought up to date in September 2012, by the Financial Services Manager, covering the first five months of the financial year. They were not independently reviewed. As of October these reconciliations have been undertaken each month and reviewed by a senior employee. Reconciliations should be undertaken and reviewed on a timely basis, even during staff absence and times of work pressure, so that any issues can be identified and resolved promptly.
- 5.1.26 A sample of 25 new / amended suppliers was selected for testing to ensure that the change was appropriately documented. 24 of these had supporting documentation for the change and details agreed from these to the system. The remaining one was set up via a series of emails but no paperwork could be found to confirm the details needed to set up the supplier.
- 5.1.27 Supplier set up / amendment is restricted to six current employees. During the months of April and May 2012, due to workloads and the new system implementation staff undertook checks on a sample of entries to ensure that details had been entered correctly. However, since June 2012 all new supplier entries are checked by a second member of staff to ensure details have been entered correctly. Several of the sample tested had no evidence of checking by a second person. This review should be evidenced on all forms.

5.1.28 The first report on the promptness of invoice payments was produced in January 2013. The delay was due to the reporting tool not being available until August 2012 and staff requiring training on how to use it. The report shows that overall at the end of December, an average of 58% of invoices had been paid to terms (with individual months ranging from 33% – 72%). The reason for this lower average is due to the implementation of a new system in April 2012 and the initial backlog of invoices processed during May and June 2012, which resulted in a 44% and 33% payment in terms. It was stated that the report will now be produced monthly and will be monitored to ensure performance improves. The Business Services Team Leader stated that some supplier terms may need changing in the system so that a truer picture is reflected. The figure will also be affected if suppliers are slow to respond to queries on particular invoices or managers are slow to accept invoices where the price varied from the order.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	The scheme of delegation should be fully updated and authorisation levels adhered to, to ensure that only authorised staff approve invoices for payment (Grade 2).	<ul style="list-style-type: none"> • Unauthorised approval of expenditure.
R2	Appropriate arrangements should be put in place to ensure that tasks (reconciliations) are undertaken on a timely basis during staff absence and peak pressures (Grade 2).	<ul style="list-style-type: none"> • Issues not identified in a timely manner.
R3	All checks on new supplier records / amendments should be evidenced on the change form (Grade 3).	<ul style="list-style-type: none"> • Payments made incorrectly. • Fraudulent details set up.

6.0 PETTY CASH RESULTS

6.1.1 The HQ petty cash is administered and held by the Central Services Department.

6.1.2 Since the previous audit review all petty cash bank accounts have been closed and the petty cash is administered from the Constabulary's main fund account.

6.1.3 The overall petty cash imprest is £3,500 which is split between the areas as follows:

- HQ - £2,000
- Kendal / Barrow - £500 (£250 each)
- Workington - £500
- Carlisle - £500

6.1.4 Expenditure is recorded on vouchers and area offices send these along with receipts to HQ when reimbursement is required. The Business Services Team Leader signs off reimbursements (which are made for all areas collectively) and a cheque is raised for the required amount which is signed by two authorised signatories. Two members of staff from the finance team cash the cheque and the cash to be reimbursed to the areas is given to the Area Commander or Chief Inspector who sign for it when they are at HQ.

- 6.1.5 The HQ and area petty cash activity was reviewed for the current financial year and usage was found to be reasonable and supported by vouchers and VAT receipts where applicable. The HQ petty cash was reconciled to the imprest level of £2,000 at the date of the audit.
- 6.1.6 Expenditure appeared reasonable for the business and for petty cash.
- 6.1.7 A number of fuel payments had been made through the petty cash and it was stated that this was due to Fleet fuel cards being rejected if they were used more than twice in one day. This resulted in staff having to pay for fuel themselves. Staff have now been informed not to fill fleet cars more than once in a day to resolve this.
- 6.1.8 Regular reconciliations of the petty cash are undertaken and one reimbursement made each month for HQ and areas together (when all supporting paperwork has been received from the areas).
- 6.1.9 Petty cash and the cheque book are held securely in a keypad safe in the Central Services Department with restricted access.
- 6.1.10 Covert Human Intelligence Source (CHIS) payments are no longer made through the petty cash system.

**CUMBRIA CONSTABULARY
CREDITOR PAYMENTS & PETTY CASH**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	The scheme of delegation should be fully updated, and authorisation levels adhered to, to ensure that only authorised staff approve invoices for payment.	2	Michelle Bellis, Financial Services Manager & Ann Dobinson, Head of Central Services	<p>The approvals hierarchy will be reviewed and will ensure that</p> <ul style="list-style-type: none"> • All expenditure categories have appropriate expenditure authorisers attached to them. • All codes are linked to an expenditure category. • That the approvals hierarchy accords with agreed budget delegations. <p>A process to regularly update the approvals hierarchy will be put in place. All staff will be reminded of the importance of ensuring that expenditure is appropriately authorised in accordance with financial regulations.</p>	April 2013

**CUMBRIA CONSTABULARY
CREDITOR PAYMENTS & PETTY CASH**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R2	Appropriate arrangements should be put in place to ensure that tasks (reconciliations) are undertaken on a timely basis during staff absence and peak pressures.	2	Michelle Bellis, Financial Services Manager	The demands on the financial services team at the start of the 2012-13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritised based on an analysis of risk. On an on-going basis it is intended that accounts payable control account reconciliations will be undertaken on a timely basis.	October 2012
R3	All checks on new supplier records / amendments should be evidenced on the change form.	3	Ann Dobinson, Head of Central Services	Procedures have been revised to ensure that all new supplier records are checked by two people and that the supplier form is countersigned by both members of staff. All relevant staff have been informed.	1 March 2013

ACTION PLAN AGREED BY:	Michelle Bellis , Financial Services Manager & Ann Dobinson Head of Central Services	DATE:	01 March 2013
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ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:	Roger Marshall, Head of Financial Services	DATE:	08 March 2013
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Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
DEBTORS & INCOME**

Draft Report Issued: March 2013
Final Report Issued: May 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of the controls in place for debtors and income systems in February 2013 as part of the 2012/13 internal audit plan.
- 1.2 Information during this review was provided by staff in the Financial Services and Central Services departments.

2.0 SCOPE

- 2.1 The following table indicates the associated risks for the areas reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Debtors/income	<ul style="list-style-type: none"> • Income due not received • Costs not billed where appropriate • Write off of debt not controlled • Inaccurate accounting • Income not banked promptly

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as ‘good’, ‘satisfactory’, ‘fair’ or ‘weak’. This assessment is based on the number and grading of recommendations made.

- 3.1.2 Evaluations of controls following testing carried out during this review:

CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Debtors	Satisfactory	-	3	-	5.0
Income	Good	-	1	1	6.0

3.2 CONCLUSION

Debtors

- 3.2.1 Debtor accounts are now processed via the new Oracle AR module which was implemented at the start of the current financial year. They were accurate and agreed to supporting documentation, where appropriate, though not all this documentation was held within the system. Debtor income is now entered directly into the AR module and matched to invoices. Staff who raise invoices do not have access to receipt income.
- 3.2.2 There are reconciliations in place between the Accounts Receivable ledger and the control account balance in the General Ledger, which are undertaken by staff within the Financial Services department. These reconciliations are now undertaken monthly.

However, the first reconciliation did not take place until September 2012 due to staff time pressures and the absence of the Qlikview financial reporting tool, which only went live in September 2012.

3.2.3 Debtor recovery procedures are included in the Constabulary's existing Financial Rules. The Business Services Team Leader stated that he had reviewed a debt analysis report every month from October, but not prior to this. Procedures have recently been put in place to send this report to the Financial Services Manager for review on a monthly basis. It was noted that some debt recovery work had been undertaken since September 2012 but it was much reduced prior to January 2013 due to sickness, part time working and other work priorities.

Income

3.2.4 Significant income sources were verified to supporting documentation. Controls are in place to check that income is received fully and on time. An analytical review of income was completed and year-on-year variances appeared reasonable (accounting for coding changes over the years) and were explained.

3.2.5 The majority of income is received via direct credit to the bank, but where it is received manually, controls are in place to ensure that it is duly receipted, banked and correctly coded, in particular the split between miscellaneous income and income relating to debtors. However, testing identified a large amount of seized cash which had not been receipted and that a large cheque had not been banked promptly. The usual frequency of banking is such that delays are minimal.

3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed
- Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
- Grade 3: Minor recommendation made to improve the system under review

3.3.2 Five recommendations have been made as a result of testing carried out, and are included in Appendix A – Summary of Recommendations and Action Plan.

4.0 FOLLOW-UP

4.1 Two recommendations were made during the previous review of Debtors and Income in February 2012.

4.2 Actions taken to address these were followed up below:

RECOMMENDATION & GRADE	POTENTIAL RISK IF NOT ACTIONED	AGREED ACTION (IMPLEMENTATION DATE)	ACTION TAKEN / COMMENTS
Only appropriately authorised requisitions should be accepted.	2 Incorrectly approved credit notes raised	Additional checks will be put in place to ensure all requisitions are properly authorised. From April 2012, this will be by way of system controls in the new Oracle Accounts Receivable module (March 2012).	System controls determine who can raise credit notes. It was stated that anyone can request a credit to correct an error but a credit for another reason should be approved by the Financial Services Manager.
Debt should be regularly followed up and it should be ensured that there is cover for the role in the case of staff absence.	2 Debts become unrecoverable	Current procedures will be re-iterated. From April 2012 this task will be handled by the Central Services Department and will be included within the SLA between the two departments. In future it is hoped that the system will be developed to automate the process to a larger degree (March 2012).	Little debt follow up occurred prior to January 2013 due to a combination of staff absence and other work priorities.

5.0 DEBTOR RESULTS

5.1.1 A new Accounts receivable (AR) module was implemented at the start of the financial year and all new invoices raised were via this module. The previous SAGE system was run in conjunction with this for two months to clear outstanding debt so that less had to be transferred to the new system. It was checked that balances had been correctly transferred from the old to the new system.

5.1.2 Staff were provided with training from Financial Services staff and were provided with procedures regarding receipting debtor income into AR at this training. Procedures have recently been written on customer creation and raising an invoice and although these have not been distributed to staff, relevant staff received one-to-one training on these areas.

- 5.1.3 Under the new system individuals' tasks are restricted by their system access levels and it was confirmed there is an appropriate segregation of duties between those who can raise invoices and those able to receipt the income relating to them.
- 5.1.4 High level information on debtors and income is included in the draft updated Financial Regulations and in more detail in the existing Financial Rules, which are to be updated once the Regulations are finalised.
- 5.1.5 Anyone can request a sales invoice to be raised but only ten staff currently have access to be able to raise them in the AR module. These staff are responsible for sending them out after production. Supporting documentation should be attached to the document in the AR system where applicable.
- 5.1.6 A sample of invoices and credit notes issued in 2012/13 was obtained. 25% of the invoice sample had no supporting documentation / note attached in the AR module. It was stated that supporting documentation should be attached by those raising the invoice when it had been requested by someone else. Supporting documentation was subsequently provided for 60% of these from the person who raised them. We were informed that no supporting documentation would be expected for the remaining invoices as they were entered directly by staff able to raise invoices (and did not come via a request from someone else) and had no backup information to be sent with the invoice. When entering an invoice the raiser should also enter the name of the person requesting the invoice as well as their name. It was noted that this had not been done for the entire sample.
- 5.1.7 We were informed that credit notes raised to correct an error can be requested by anyone but that credit notes raised to change something for a different reason should be approved by the Financial Services Manager prior to entry. 33% of the sample tested had no supporting documentation / note attached in the system. Supporting documentation was provided by the raiser for half of these and the reason was stated for the remaining one.
- 5.1.8 It was stated that the Financial Services Manager would speak to staff about attaching supporting documentation and ensuring that the reason for credit notes was clear.
- 5.1.9 No monitoring of the timeliness of raising invoices is undertaken and we were informed that it is the responsibility of those able to raise invoices to do so on a timely basis. From the sample tested, it was not always possible to determine when the request had been received but where it was the majority were raised within five days of receipt, as per the existing Financial Rules, with the longest being within 9 working days of receipt.
- 5.1.10 The Accounts Receivable ledger balance is reconciled to the control account balance in the general ledger. Reconciliations were undertaken in September 2012, by the Financial Services Manager, covering the first five months of the financial year. They were not independently reviewed. As of September these have been undertaken each month and reviewed by a senior employee. Reconciliations should be undertaken and reviewed on a timely basis, even during staff absence and times of work pressure, so that any issues can be identified and resolved promptly.

- 5.1.11 From the information provided it was noted that invoice numbers coded to B2402 (the Oracle Debtors control account for items arising in year) did not run consecutively. This was queried and some 'missing' invoice numbers were found to be where an invoice had started to be raised (so an invoice number was allocated to it) but not completed. These were therefore correctly not posted to the control account. Another reason invoice numbers were not coded to the control account is that this code, which is automatically populated when an invoice is raised, had been overwritten by the person raising the invoice. It was identified that if this occurred and the invoice in question was not included as outstanding at the month end that this would not be identified during the debtors reconciliation and corrected. It was stated that the monthly reconciliation process has now been amended and a report is run to ensure that invoice numbers run consecutively and that where they do not these are investigated to ensure all items are correctly coded to the control account.
- 5.1.12 A monthly debt analysis report, showing debt over 3 months old or over £4,000, is prepared and reported to the Business Services Team Leader in the Central Services Department. From March 2013 procedures have been put in place to also provide this report to the Financial Services Manager. It was confirmed that these reports have only been provided and reviewed since October 2012 and they were not prepared between May and July. This was due to the absence of the Qlikview financial reporting tool which only went live in September 2012.
- 5.1.13 The latest outstanding debt analysis report prepared related to January 2013. It was noted that a large number of debts (the majority of these over 3 months old) showed no debt recovery action taken against them, as evidenced by the gap in dates on the notes section of the report. Furthermore, prior to January 2013 (when a staff member returned from absence) very little debt follow up is shown with action only recorded in September and October 2012 against 4 debtors. This was discussed with the Business Services Administration Officer who confirmed that very little debt follow up had been undertaken prior to January 2013 due to a combination of sickness, part time working, implementation of new systems and other work taking priority.
- 5.1.14 As at the end of January total debt outstanding was £427k relating to 115 invoices. £27,556 of the outstanding debt was over 3 months old and related to 47 invoices. It was noted that there were a couple of minor errors in the report, but these did not relate to debts over 3 months old.
- 5.1.15 It was stated that other staff in the Central Services department are to be trained on debt follow up but in the meantime it should be ensured that regular follow up of outstanding debt takes place and that there is cover for this role in case of staff absence.
- 5.1.16 The 2011/12 bad debt provision remained the same as the previous years, which was approved by the Treasurer in April 2011. No debt has been written off, as yet, during the current financial year.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	Supporting documentation should be attached to the AR system wherever possible (Grade 2).	<ul style="list-style-type: none"> No information in case of a query.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R2	Appropriate arrangements should be put in place to ensure that control account reconciliations are undertaken on a timely basis during staff absence and peak pressures (Grade 2).	<ul style="list-style-type: none"> Issues not identified in a timely manner.
R3	Appropriate arrangements should be put in place to ensure that debt is followed up on a timely basis during staff absence and peak pressures (Grade 2).	<ul style="list-style-type: none"> Debts become unrecoverable.

6.0 INCOME RESULTS

- 6.1.1 A new coding structure was introduced with the upgrade to the financial system, at the start of the current financial year. Income is coded to a specific set of codes in Oracle under different categories – revenue, pensions and capital. A listing of total income posted in 2012/13 to date (totalling £116,780,293) was obtained for review. Testing focussed on the more material items which were verified from relevant information back to amounts included in Oracle. This income was accurate and complete, and given its value is subject to monitoring as part of cash-flow management.
- 6.1.2 A year on year comparison of income levels by source was carried out and explanations for large variances were provided by staff.
- 6.1.3 Central Services department staff open the post, on receipt into the department, a rota basis. Once sorted, income is passed to one of four staff members (based on the finance desk) for receipting. Income is then held in the safe until the weekly banking process is complete. Finance desk staff also prepare income documents listing income received which are sent to the Financial Services department to post the income into Oracle. It should be noted that it is possible for the same member of staff to open the post, receipt the income and bank the income however, this is unlikely as various members of staff open the post each day and only four undertake the banking role. The transportation of money to the bank is undertaken on a weekly basis by members of staff and where cash is taken to the bank or withdrawn two staff members travel to the bank.
- 6.1.4 Debtor’s income is now posted to the AR module by staff in the Central Services Department. Debtor’s income received through the post is recorded on an invoices spreadsheet and sent to Finance who add this to their list of debtor income received directly to the bank. This list is then sent back up to Central Services to enter into AR. Central Services staff were provided with one to one training on this by staff from Financial Services and transactions from the AR module automatically transfer into the general ledger each night. It was stated that the role of receipting debtor income into AR is likely to be moved to the Financial Services Assistant and their role of raising general invoices be passed directly to some operational departments (e.g. Alarms and Professional Standards) and to the Central Services Department.
- 6.1.5 From the sample of income tested it was confirmed that income is banked promptly. It was stated that income is banked once a week, meaning the likelihood of not meeting the banking target of within 5 working days of its receipt, as per the existing Financial Rules, is small.

- 6.1.6 Testing identified two occasions where amounts over £5,000 were received and not paid into the bank on the same day (or the next working day depending on banking hours), as per the existing Financial Rules. It should be ensured that staff understand their responsibilities regarding banking income.
- 6.1.7 Testing identified that seized cash totalling £42,395 was not receipted. It was stated that the person responsible for seized cash counted and bagged it but forgot to pass it for receipting. The income was banked but all income received should be receipted.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R4	It should be ensured that staff are aware of guidelines for banking large amounts, and that they are followed (Grade 3).	<ul style="list-style-type: none"> Large values not promptly banked.
R5	All income received should be receipted (Grade 2).	<ul style="list-style-type: none"> Income not accounted for.

**CUMBRIA CONSTABULARY
DEBTORS & INCOME**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Supporting documentation should be attached to the AR system wherever possible.	2	Financial Services Manager – Michelle Bellis	The need to attach supporting documentation was reiterated to the Financial Services Team on 26/03/13.	26 MARCH 2013
R2	Appropriate arrangements should be put in place to ensure that control account reconciliations are undertaken on a timely basis during staff absence and peak pressures.	2	Financial Services Manager – Michelle Bellis	The demands on the financial services team at the start of the 2012/13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritised based on an analysis of risk. On an on-going basis it is intended that accounts receivable control account reconciliations will be undertaken on a timely basis.	OCTOBER 2012

**CUMBRIA CONSTABULARY
DEBTORS & INCOME**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R3	Appropriate arrangements should be put in place to ensure that debt is followed up on a timely basis during staff absence and peak pressures.	2	Head of Central Services – Ann Dobinson	The Central Services Department was a newly created department on the 1 April 2012 and the demands faced by new staff into the department were huge. This combined with the implementation of two new systems, required workloads to be prioritised. A monthly debt collection routine has been undertaken since January 2013 and additional staff are being trained to provide resilience in this area.	JANUARY 2013
R4	It should be ensured that staff are aware of guidelines for banking large amounts, and that they are followed.	3	Head of Central Services – Ann Dobinson	Staff responsible for banking income have been reminded about the guidelines around banking large amounts of money, 16.4.13.	APRIL 2013

**CUMBRIA CONSTABULARY
DEBTORS & INCOME**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R5	All income received should be receipted.	2	Head of Central Services – Ann Dobinson	Importance of receipting all monies and communication between the administration of seized cash and banking arrangements have been reiterated to staff 16.4.13. Seized cash procedures amended to include a date money receipted and banked.	APRIL 2013

ACTION PLAN AGREED BY:	Michelle Bellis – Financial Services Manager Ann Dobinson – Head of Central Services	DATE:	29/04/2013
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ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:	Roger Marshall – Head of Financial Services	DATE:	29/04/2013
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Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
BUDGET MANAGEMENT
&
MAIN ACCOUNTING SYSTEM**

**Draft Report Issued: April 2013
Final Report Issued: May 2013**

1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of the controls in place for Budget management and the Main accounting system in March 2013 as part of the 2012/13 internal audit plan.
- 1.2 Information during this review was provided by staff in the Financial Services department.

2.0 SCOPE

2.1 The following table indicates the associated risks for the areas reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Budget Management	<ul style="list-style-type: none"> • Decision making affected by inaccurate information • Budget responsibility not clearly defined • Untimely financial reporting
Main Accounting System	<ul style="list-style-type: none"> • Financial information is inaccurate / incomplete. • Unauthorised access / input to accounting system. • No reconciliation to bank information.

3.0 SUMMARY

3.1 EVALUATION

3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.

3.1.2 Evaluations of controls following testing carried out during this review:

CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Budget Management	Satisfactory	-	1	2	5.0
Main Accounting System	Good	-	1	-	6.0

3.2 CONCLUSION

Budget Management

3.2.1 Budget setting and monitoring arrangements are well controlled as in previous years. All budgets are clearly allocated, though delegation from this top level was inconsistent.

3.2.2 Not all virements were authorised as per the virement protocol.

3.2.3 Regular reporting of the budget position together with explanation of variances at an appropriate level remains in place.

Main Accounting System

3.2.4 The Oracle Accounting System has been upgraded since the previous review but remains robust. Good controls are in place to minimise the chance of erroneous mispostings. Information recorded on the system can be agreed to supporting documentation and controls are in place to ensure that all journals balance prior to input.

3.2.5 Adequate controls are in place to protect accounting information from unauthorised access and ensure data integrity.

3.2.6 Bank reconciliations are now being performed on a regular and timely basis, after a lapse at the start of the year, and the reconciliations are independently reviewed.

3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed
- Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
- Grade 3: Minor recommendation made to improve the system under review

3.3.2 Four recommendations have been made as a result of testing carried out, and are included in Appendix A – Summary of Recommendations and Action Plan.

4.0 FOLLOW-UP

4.1 No recommendations were made in the previous reviews of either system.

5.0 BUDGET MANAGEMENT

5.1.1 There have been some significant changes to the budget setting and reporting process during 2012/13. These include the change to the Chart of Accounts, changes to devolved resource management – with the centralisation of many of the previously delegated budgets, and running one report centrally (for the management accounts) and sending this to Financial Services Officers for them to complete their outturn figures.

- 5.1.2 Roles and responsibilities for budget holders are set out in the 2012/13 budget book issued by the Director of Finance & Resources in April 2012. This year most budget responsibility has been centralised.
- 5.1.3 All budgets are allocated to a named budget holder who signs a statement of budget holders' responsibilities to certify that they accept responsibility for the budget and will comply with the terms and conditions set out in the budget protocols and the Rules and Financial Regulations. All budget holders at the top level had signed the responsibilities form, though not all had dated it. However, evidence of delegation of budgets downwards varied with some delegation forms not having specimen signatures, budget holders signatures or dates when last amended. Also there was only evidence of delegation from the top budget holder to one department of Corporate Support, yet some of the other departments had other people signing a responsibilities statement and delegating further. Budgets are allocated in line with areas of devolved responsibility and the coding structure of the accounts also reflects this.
- 5.1.4 As in previous years, very detailed consideration is given to the annual budget setting process and the longer term financial strategy, as set out in the Medium Term Financial Forecast (MTFF), which was updated in October 2012. Detailed reports are considered in advance of the budget year. The Policing Plan and the annual budget were both formally approved by the Police Authority in February 2012 with the 2013/14 budget and precept approved by the Police and Crime Commissioner in February 2013 following review by the Police and Crime Panel in December 2012 and January 2013.
- 5.1.5 The protocol for virements between budgets is published in the annual budget book. A sample of virements was checked and it was found that two were not appropriately authorised as per the protocol. Subsequently, appropriate authorisation was obtained for these virements but they should only be processed once correctly authorised.
- 5.1.6 Management accounts are compiled on a monthly basis and there is an established timetable for this. The production of these reports has changed during 2012/13 and now the Financial Services Officer – Corporate runs a report in Oracle and downloads this data into a spreadsheet. This data is sent out to Financial Services Officers who are required to complete three columns for budget adjustments, forecasted actual and comments. The Oracle data and the returns are then consolidated into a Constabulary level report by the Financial Services Officer – Corporate. Management Accounts are reviewed by the Financial Services Manager before they are discussed with the Head of Financial Services prior to being presented to COG / PCC.
- 5.1.7 Management accounts for January 2013 were reviewed and checked back to supporting information in Oracle. There were some minor differences on individual budget line YTD actual figures but the overall total agreed (negligible 47p difference).
- 5.1.8 There was a negligible £1 difference between the base budgets as per the January Management accounts and the Oracle report with line variances of £2499 and -£2499 being explained.

- 5.1.9 A variance of £9648 was identified between the forecasted actual figures on the earmarked funds return and the management accounts. We were informed that this was due to some earmarked funds being missing from the original returns provided and being entered subsequently.
- 5.1.10 Several variances were identified between the Oracle report and the January management accounts against the revised budget figures. These were due to the management accounts reporting the most up to date figure by incorporating the budget adjustment figures provided by the Financial Services Officers in their monthly returns that were not entered in Oracle before the month end. Variances were agreed to the returns from the Financial Services Officers or were stated to have been made at a higher level after the returns were submitted. However, it was identified that budget adjustments from two return spreadsheets had not been incorporated into the January management accounts which resulted in the forecasted variances for these lines being misstated, although the forecasted actuals were unaffected.
- 5.1.11 The Head of Financial Services reports formally to the Chief Officer Group on a monthly basis and to the Police and Crime Commissioner on a quarterly basis. The latest report to the Chief Officer Group, at the time of the review, was presented in March 2013, based on actual costs to the end of January 2013. A detailed analysis is provided of the reasons for any material variances from budget. The PCC received a detailed report in February 2013 on the budget as at the end of December 2012.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	Budget responsibilities and delegation should be fully and consistently documented (Grade 3).	<ul style="list-style-type: none"> No evidence of acceptance of responsibilities, further delegation downward.
R2	Virements should only be processed following appropriate approval (Grade 2).	<ul style="list-style-type: none"> Unauthorised transactions processed.
R3	Care should be taken to ensure all figures provided by the Financial Services Officers in the monthly returns are incorporated into the management accounts (Grade 3).	<ul style="list-style-type: none"> Inaccurate budget figures reported.

6.0 MAIN ACCOUNTING SYSTEM

- 6.1.1 The main accounting system, Oracle, was upgraded at the start of the 2012/13 financial year. Input to Oracle is via payroll upload, journals and automatic transfer. A sample month was selected to ensure that the input to Oracle is accurate and supported by authorised documentation. A sample of journals was traced to supporting documentation and details agreed. With the upgrade to Oracle, access to input journals was given to the Financial Services Officers so they no longer have to request journals to be entered. System controls are in place to ensure that all input balances to zero and that any invalid code combinations are not accepted.
- 6.1.2 A financial codebook is maintained electronically and is available to all relevant members of staff. New codes are controlled and a sample of codes created or amended during 2012/13 was traced to approved request forms.

- 6.1.3 Access to Oracle is controlled by Financial Services Department which authorises all change requests before they are implemented by the IT Department. Training and user manuals are provided to users to aid proficiency before Oracle access is granted. A monthly review of access rights is carried out to ensure no-one has access that they are not supposed to.
- 6.1.4 There are no suspense accounts as such within the main accounting system (i.e. no accounts specifically set up to hold miscoded items) as the use of invalid codes is rejected by the system. These have to be corrected and re-input.
- 6.1.5 A reconciliation of the main bank account is now performed each month on a timely basis and is independently reviewed. However, due to staff time pressures the first reconciliation did not take place until August 2012 with reviews commencing in October 2012. Supporting documentation is retained.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R4	Appropriate arrangements should be put in place to ensure that bank account reconciliations are undertaken on a timely basis during staff absence and peak pressures (Grade 2).	<ul style="list-style-type: none"> Issues not identified in a timely manner.

**CUMBRIA CONSTABULARY
BUDGET MANAGEMENT & MAIN ACCOUNTING SYSTEM**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE <small>(to be completed by client)</small>	AGREED / INTENDED ACTION <small>(to be completed by client)</small>	IMPLEMENTATION DATE <small>(to be completed by client)</small>
R1	Budget responsibilities and delegation should be fully and consistently documented.	3	Financial Services Manager	Work will take place to ensure that formal delegations are complete and fit for purpose. A further check will be made to ensure these are also reflected in the approvals hierarchy. A new post has been added to the team to assist with this work from June 2013.	JUNE/JULY 2013
R2	Virements should only be processed following appropriate approval.	2	Financial Services Manager	Procedure to be introduced to ensure all budget adjustments and virements are authorised by the Principal FSO's or Financial Services Manager. A list will also be maintained to record all virements and associated approvals.	MAY 2013
R3	Care should be taken to ensure all figures provided by the Financial Services Officers in the monthly returns are incorporated into the management accounts.	3	Principal Financial Services Officer	A procedure will be established to ensure that any changes to management accounts submissions are made by the relevant FSO and resubmitted to the principal FSO for consolidation.	MAY 2013

**CUMBRIA CONSTABULARY
BUDGET MANAGEMENT & MAIN ACCOUNTING SYSTEM**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE <small>(to be completed by client)</small>	AGREED / INTENDED ACTION <small>(to be completed by client)</small>	IMPLEMENTATION DATE <small>(to be completed by client)</small>
R4	Appropriate arrangements should be put in place to ensure that bank account reconciliations are undertaken on a timely basis during staff absence and peak pressures.	2	Financial Services Manager	The demands on the financial services team at the start of the 2012-13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritised based on an analysis of risk. On an on-going basis it is intended that the bank reconciliation will be undertaken on a timely basis.	OCTOBER 2012

ACTION PLAN AGREED BY:	Michelle Bellis – Financial Services Manager	DATE:	10/05/2013
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ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:	Roger Marshall	DATE:	10/05/2013
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Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
PENSIONS ADMINISTRATION**

Draft Report Issued: January 2013
Final Report Issued: March 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review in November 2012 of the controls in place for the administration of Police pensions as part of the 2012/13 internal audit plan.
- 1.2 Police Pension Scheme administration is provided by Capita Hartshead. Police Pension calculations for both the Police Pension Scheme 1987 and the New Police Pension Scheme 2006 and the maintenance of all serving officers' records is undertaken by Capita in Banstead with the Police Pension payroll and lump sum payments being instigated by Capita in Darlington.
- 1.3 Gross Police pensions are around £1.84 million per month, with year to date costs for April to November 2012 of approximately £14.7 million. In addition, most retiring officers opt to commute the maximum allowable amount of their pension into a lump sum payment.
- 1.4 The following staff provided information for this review:
 - Alison Hunter, Payroll and Transactional Services Manager
 - Michelle Blenkinsopp, Administrative Officer
 - Mark Carter, Financial Services Officer - Corporate.

2.0 SCOPE

- 2.1 The following table indicates the associated risks for each individual area reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Pensions	
Contract	Police liability for any contractor errors. Poor service quality.
Entitlement	Incorrect calculation of pension/lump sum entitlement.
Payments	Incorrect payments made. Payments to those not/no longer entitled to receive these.
Deductions	Incorrect deductions.
Accounting	Pension transactions not fully/accurately reflected in Oracle GL.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 Evaluations of controls following testing carried out during this review:

PENSION CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Contract	Good	-	-	-	5.1
Entitlement	Good	-	-	2	5.2
Payments	Good	-	-	-	5.3
Deductions	Good	-	-	-	5.4
Accounting	Good	-	-	-	5.5
Overall evaluation	Good	-	-	2	

3.2 CONCLUSION

3.2.1 Police Pension processes are well established and no major areas of concern were identified as a result of testing. There are good working relationships with Capita and there is appropriate monitoring of performance.

3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed
- Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
- Grade 3: Minor recommendation made to improve the system under review

3.3.2 Two recommendations have been made as a result of testing carried out, and are included in Appendix A – Summary of Recommendations and Action Plan.

4.0 FOLLOW-UP

4.1 No recommendations were made during the previous review of Police pensions (January 2012).

5.0 PENSION RESULTS

5.1 Contract

5.1.1 A contract is in place between the Police and Capita Hartshead for the provision of Police pension administration and payroll. The initial 2-year contract expired on 31 August 2008, but this has now been extended five times and currently runs to 31 August 2013. Confirmation of this latest renewal has not yet been received from Capita but they continue to provide the service.

5.1.2 The contract includes a detailed specification of work to be carried out by Capita and also includes a set of performance measures that are reported on a monthly basis to the Head of Central Services. The latest performance measures show that the contract is operating well and no issues have been noted.

5.1.3 The contract clearly states Capita’s responsibility for ensuring that calculations and subsequent payments are correct and made on time. It also specifically requires Capita to immediately re-imburse the Police for any overpayment and then seek recovery from the party that was overpaid.

5.2 Entitlement

5.2.1 Employee Services informs Capita of forthcoming pensioners and provides them with standard details for each new pensioner including age, length of service and pensionable pay, which are the key factors in determining pension entitlement. Additional information is also provided by the retiring officer to confirm, for example, their commutation option and to which bank account they want their lump sum and monthly pension to be paid into. Details are reviewed and authorised by the Payroll and Transactional Services Manager prior to submission to Capita.

5.2.2 Capita calculates the monthly pension due and the amount of the lump sum. A copy of the calculation is then sent to Employee Services so that the lump sum amount can be noted for subsequent checking, when Capita request release of the funds. Where an officer has opted not to commute any part of their pension into a lump sum, copy calculations are not provided, as no checks are made by the Police over individual monthly entitlements. Reliance is placed on Capita to calculate these correctly and there are provisions in the contract to protect the Police if errors are made.

5.2.3 A sample of six new pensions was tested. All were supported by authorised forms from retiring officers and approved requests/supporting information to Capita. Pensionable pay calculations were checked back to payroll and length of service was agreed to personal files and payroll. The entire sample had a change of circumstance form, copy of their retirement letter or a letter informing them they were to be retired on ill health grounds on file.

5.2.4 Change of circumstances forms have recently stopped being completed for leavers and instead a copy of their retirement / resignation letter is passed to payroll after authorisation. It was stated that this would not be processed if it had not been authorised by a Chief Officer (as all police officer posts require) but it should be determined if an HR signature is required on it also. One letter sampled had been signed by HR but one had not (though it had been actioned by them).

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not Actioned
R1	It should be determined whether leaver notifications require signing by a member of HR before being processed. (Grade 3)	Incorrect processing of information.

5.2.5 In terms of ongoing pension entitlement, Capita is informed directly of any deaths of pensioners by the next of kin, so that the necessary adjustments can be made to the pension payroll. The Police subscribe to the biennial National Fraud Initiative (NFI) data matching exercise run by the Audit Commission and have recently uploaded the information required for the 2012/13 exercise.

5.2.6 Capita have been asked to provide Employee Services with information on transfer values in. While this information is not checked, it is useful for the projection of costs and determining employees earliest retirement date. It is also useful to know for requesting pension estimates for employees. Employee Services do not know when transfers in of service have been completed and so cannot monitor that they have received all information from Capita. Only one of a sample of three transfer values in received this year had this information on file and while it was stated the others could be in documentation requiring filing, it was stated that Capita has had to be chased for this information previously.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not Actioned
R2	Consideration should be given to adding to the KPI's reported on by Capita for transfer values in so that it can be determined that Employee Services have received all information on these. (Grade 3)	Requested information not provided promptly.

5.3 Payments

5.3.1 Both lump sum payments and monthly pensions are initiated by Capita, Darlington. For lump sums, Employee Services maintain a spreadsheet record of lump sums due, taken from copy calculations provided by Capita. As each lump sum falls due, Capita requests approval to release payment and this is confirmed via email by an appropriate officer. Appropriate checks and authorisation of lump sums is in place, based on sample testing.

5.3.2 A monthly pension file is provided to Employee Services for approval prior to payment. The Payroll and Transactional Services Manager reviews the overall level of payments and deductions in relation to previous periods, prior to authorising payment via BACS. Appropriate checks and authorisation of the monthly pension payroll is in place, based on sample testing.

5.3.3 Further sample audit checks were made to ensure individual payments to new pensioners reflected calculated amounts. It was confirmed that the correct monthly amounts had been paid to individual pensioners based on the latest payroll (November 2012). Similarly, correct lump sums had also been paid.

5.4 Deductions

5.4.1 New contribution rates for employees came into effect in April 2012 and are based on employee earnings.

5.4.2 Employee pension deductions are automatically calculated within the payroll system. A sample of pension deductions was manually rechecked and this confirmed that the correct percentage deductions were being applied to the appropriate pay components.

- 5.4.3 It was found that one of the sample had an arrears payment taken as pensionable on one payslip that should not have been. This had been identified and corrected on the subsequent payslip.
- 5.4.4 Employer pension contributions for the same sample were also manually rechecked and found to be at the correct rate.

5.5 Accounting

- 5.5.1 A monthly costing file of Police pension payments is provided by Capita, Darlington, to enable transactions to be entered into Oracle GL. The costing file is uploaded via standard ADI journal templates and checks are made on screen to ensure that all code validation rules have been met and the total data has been accepted by the Oracle system. This process is carried out by staff in Finance and a system report is retained to evidence the upload. This was seen for a sample period and the totals agreed to the pension payroll summary.
- 5.5.2 An Oracle query report is run to ensure that net pay is correct. Sampling results proved its accuracy.
- 5.5.3 A sample of lump sum payments was successfully agreed to Oracle.
- 5.5.4 One lump sum coded as an 'ill health' lump sum in Oracle was confirmed by Employee Services as an 'ordinary' lump sum. Finance had coded the payment as per the information provided by Capita and this miscoding would have been identified at the year end through reconciliations with Employee Services information. It was stated that more regular reconciliations would hopefully be undertaken to reduce time spent at the year-end but that this had not yet taken place.
- 5.5.5 Receipts for transfer values in to the pension scheme and for transfer values out of the scheme are separately recorded in Oracle. Again Capita deal with these and for transfers in, deposit cheques into the Police bank account from Darlington and then advise the Police of this. Similarly request for payments of transfers out also originate from Capita. Transfer values in and out for the current financial year were traced from Oracle to the bank statements and for transfers out to the authorisation of the payments.
- 5.5.6 It was discovered that one amount coded as a transfer value in, in Oracle, actually related to a returned pension payment. It was stated that the Administrative Officer in Employee Services would contact Finance to get this re-coded. Again, Finance coded this based on the information supplied by Capita (who were provided with a list of the new pension codes) and it was stated that this would have been identified during year-end reconciliations.

**CUMBRIA CONSTABULARY
PENSIONS ADMINISTRATION**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	It should be determined whether leaver notifications require signing by a member of HR before being processed.	3	Ann Dobinson Head of Central Services	It has been formally agreed to change the process so that all police leaver notifications are accepted once signed off by Chief Officers and the completion of a change of circs form signed by Personnel staff/Employee Services staff has been removed.	4 March 2013
R2	Consideration should be given to adding to the KPI's reported on by Capita for transfer values in so that it can be determined that Employee Services have received all information on these.	3	Ann Dobinson Head of Central Services	Capita Hartshead has been informed to add an additional report providing details of all completed Transfer Values in to the monthly performance standards report. The first report will be included in the February 2013 performance standards report.	4 March 2013

ACTION PLAN AGREED BY:	Ann Dobinson – Head of Central Services	DATE:	04 March 2013
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ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:	Roger Marshall – Head of Financial Services	DATE:	08 March 2013
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Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
CAPITAL PROGRAMME MONITORING & ASSET REGISTER**

Draft Report Issued: February 2013
Final Report Issued: March 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook an audit review of capital programme monitoring and the asset register as part of the 2012/13 internal audit plan.
- 1.2 The following staff provided information during this review:
- Lorraine Holme, Financial Services Officer;
 - Roger Marshall, Head of Financial Services;
 - Clive Davidson, Business Team Leader;
 - Angela Humes, Business Services Administration Officer.

2.0 AUDIT SCOPE

- 2.1 The following table indicates the associated risks reviewed by Internal Audit for each individual area:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Capital Programme Monitoring & Asset Register	<ul style="list-style-type: none"> • Capital projects / assets not in line with business needs; • Capital projects are unaffordable; • Capital costs /assets are not recorded properly; • Capital costs are not controlled / monitored.

3.0 OVERALL EVALUATION, CONCLUSION & RECOMMENDATIONS

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the audit, usually based on sampling. Internal Audit assesses the controls operating in each audited area as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.

- 3.1.2 Table A: Evaluations of controls following testing carried out during this audit review:

AREA REVIEWED	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Capital Programme Monitoring & Asset Register	Satisfactory	-	-	4	5.1

3.2 CONCLUSIONS

- 3.2.1 A medium term capital strategy and annual programme was approved by the Police Authority informed by the various asset strategies and replacement programmes. Capital spend in 2012/13 is projected to be just over £8.2 million. Individual schemes

are managed effectively and are subject to regular scrutiny and review, though it was noted that project managers do not sign and return all monthly monitoring reports they receive. Overall monitoring reports are presented to the Governance Committee and Police Authority on a regular basis. From November 2012, the monitoring reports will be provided to the Chief Officer Group and the Police and Crime Commissioner.

- 3.2.2 Costs are duly recorded against specific capital schemes and sampled payments appeared reasonable. 55% of the capital invoices sampled related to orders placed before the new i-procurement system was introduced. 30% of the sample had been processed through the i-procurement system and had been authorised in line with the scheme of delegation provided. The remaining 15% of the sample were non-order invoices, with 10% of these not authorised in line with the i-procurement scheme of delegation.
- 3.2.3 Asset registers are maintained on an annual basis by financial services, who calculate depreciation charges for upload into Oracle. All asset registers had been updated for 2011/12 and tied back to the ledger, but only one had been formally certified as accurate and signed by the department.
- 3.2.4 The capital strategy clearly sets out the anticipated costs of the programme and how this will be funded and this is reflected in both the medium term financial forecast and the prudential indicators.
- 3.2.5 Risk in respect of capital is included as part of the Financial Services Risk Register and control measures stated in the register are in place and operational.

3.3 RECOMMENDATIONS

- 3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
 - Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
 - Grade 3: Minor recommendation made to improve the system under review.
- 3.3.2 Four recommendations have been made as a result of testing carried out, which are included in this report as: Appendix A – Summary of Recommendations and Action Plan.

4.0 FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 4.1 Monitoring arrangements for the capital programme were last reviewed in February 2012 and were assessed as good. The one recommendation made in the previous report was examined to determine the action taken. See below table.

RECOMMENDATION	GRADE	AUDITEE RESPONSE TO ORIGINAL ACTION PLAN	ACTIONS IDENTIFIED THIS AUDIT
The guidance / procedural notes for maintaining and completion of the asset registers should be updated and circulated to all relevant staff.	3	The guidance notes will be updated when current resource pressures within the finance team subside. The implementation date stated was March 2013.	This has not yet been done, though the stated implementation date has not yet passed. This will be reviewed during the next audit.

5.0 DETAILED FINDINGS & RECOMMENDATIONS

Strategy / Programme

- 5.1.1 The Estates Strategy for 2012/13 was approved by the Police Authority in February 2012. It clearly states the strategy principles and provides information on the estates review. There are also rolling fleet replacement and adaptation programmes and an ongoing IT replacement programme.
- 5.1.2 The capital strategy is derived from these strategies and the current overall capital programme for 2012/13, including schemes brought forward from previous years, was approved by the Police Authority in February 2012. It included details of estates, fleet and ICT capital schemes for the next ten years. Individual capital schemes require a business case to be approved by the Police Authority/PCC in advance of work starting, and a sample of schemes were agreed to approved business cases. One project was funded by a virement and was approved by the Governance Committee as per the Financial Regulations.
- 5.1.3 Further detailed capital reports have also been considered by the Governance Committee in June (2011/12 year-end details) and October (2012/13 figures to September) 2012 and the Police Authority received various capital business cases for approval in June, September and October 2012. Reports on the Capital programme include detailed explanations of any slippages against timescale and any material cost variances.
- 5.1.4 All capital projects are allocated a budget holder and project manager, so responsibility for delivering individual schemes is clear. Monthly and quarterly capital monitoring reports are distributed by Financial Services so that costs can be checked and reviewed against budget. Controls are in place to ensure that information is accurate and complete.

Monitoring

- 5.1.5 All project managers complete a monthly capital project monitoring report which requires an estimate of future costs and timing of payments, together with explanations of any variances. The information from the monthly reports is subject to financial diligence by the Financial Services Manager and is then used to collate overall capital monitoring reports on a quarterly basis for the Police Authority's Governance Committee (PCC from November 2012). These reports are signed off by the Head of Finance prior to dispatch to Governance Committee. Minutes from these meetings are also presented to the Police Authority. In addition, project highlight

reports for those schemes managed by the Constabulary Project Management Unit are reported to the Chief Office Group. It was confirmed that reports on overall progress against the capital programme are made on a regular and timely basis. Final governance arrangements are yet to be determined now that the Police and Crime Commissioner is in place but that it is expected that formal quarterly reporting will continue to take place.

- 5.1.6 Monthly reports for the current financial year were not produced until August 2012 due to having no access to the Qlikview reporting tool. It was stated that to obtain the figures directly from Oracle would have been time consuming but that figures were provided where requested.
- 5.1.7 All quarterly reports reviewed were signed by both the project manager and budget holder (though not necessarily dated). It was noted that not all monthly monitoring reports had been signed, dated, and returned by the project managers, however Finance reported that they follow up responses on bigger projects and where it is believed items may need reporting or follow up.
- 5.1.8 A sample of project figures was traced from the Governance Committee report to the monthly monitoring report and to the list of capital transactions extracted from Oracle. Costs from one capital scheme have been moved from one reporting line on the Governance Committee report (against which they are reported on monthly reports to project managers) to show them against a different line. It was noted; however, that a credit note relating to this scheme was not reported on the same line in the report. This has affected two reporting lines in the Governance Committee report but the overall figures remain unaffected.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not Actioned
R1	All costs / credits against a specific project should be reported on the same scheme line in Committee reports. (Grade 2)	Misleading figures reported.

Audit tests

- 5.1.9 Capital invoices are clearly coded and costs for specific projects are allocated to unique codes. A sample of invoices was selected for testing and of these 30% related to orders placed through the recently introduced i-procurement system. All these were authorised in line with the scheme of delegation provided, with the exception of one which was authorised by an individual who has since left the authority (though was in a suitable position to be authorising invoices). The majority of the others related to items that had been ordered with manual order forms, prior to the introduction of i-procurement. We were informed that in the interim period the authorisation process for these were not enforced and that an authorised order was accepted as authorisation. However, the majority of these authorisations looked appropriate based on previous testing. Our sample had three non-order invoices which had been forwarded to the CSD non-order invoice mailbox for processing. Only one of these had been forwarded by the person who would have authorised it if it had been processed through the i-procurement system. The Business Services Team Leader informed us that all items should be authorised in line with the scheme of delegation designed for the new i-procurement system. A recommendation regarding this has been raised in the Creditors audit report so will not be re-stated here. Coding appeared to be reasonable.

5.1.10 We were provided with the list of capital codes and it was noted that it included a section entitled ‘repairs and maintenance’ and that several code descriptions included ‘maintenance’ in the title, thus implying revenue rather than capital expenditure. It was stated that the capital code list was copied from the revenue list prepared for the upgrade of Oracle so that a new set of codes did not have to be learnt / used but that in hindsight changes should have been made to the code description. Capital expenditure is subject to review by project managers and Finance staff who are confident that items have been coded correctly but that code descriptions are misleading. The one item in our invoice sample coded to a code with ‘maintenance’ in its description was confirmed as capital expenditure. It was stated that improvements to the code descriptions will be looked into and the code list has since been updated, with the changes to be included in Oracle during March 2013.

5.1.11 It was confirmed that no changes have been made to how capital accruals and retentions are dealt with at year-end routines:

- At year end the value of the work completed on an individual capital project (mainly estates projects) is reviewed and a figure agreed by the project manager, if this is more than the expenditure paid to date the value is accounted for including an accrual and if the valuation is less than the expenditure paid to date the value including a prepayment will be accounted for. If the project has been completed any retention monies will be accrued in the accounts.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not Actioned
R2	The capital coding list should be reviewed to ensure that descriptions are not misleading. (Grade 3).	Items coded to capital expenditure appear to be revenue expenditure due to coding descriptions.

Asset register

5.1.12 There are a total of six asset registers which are maintained by Finance on excel spreadsheets on behalf of the respective departmental business owners who are responsible for the accuracy of the base data. The asset registers are as follows:

- Intangible Assets;
- Equipment;
- Plant;
- IT Fixed Assets;
- Vehicles;
- Land & Buildings.

5.1.13 These registers are collated on an annual basis at the year-end from Oracle GL and depreciation charges are calculated for input to Oracle GL (this has not yet been done for 2012/13). As part of the final accounts process asset registers are forwarded to relevant departmental managers to check that they are accurate and complete and agree to local records. A signed copy should then be returned to Finance – only one register (land and buildings) had been signed as agreed for the year ending March 2012.

5.1.14 Asset register spreadsheets are held on the Finance department network, within the technical folder. It was stated that this folder is restricted to Finance employees, but that only relevant members of staff access and amend the registers.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not Actioned
R3	Asset Registers should be signed annually as accurate and complete and a copy retained on file by Finance. (Grade 3).	Asset registers may not be accurate and assets may not be reflected in accounts.

Depreciation

5.1.15 A sample of assets was tested to confirm that the 2011/12 depreciation charged was calculated in accordance with the Authority’s accounting policy and reflects the estimated useful lives of relevant assets. No issues were noted.

Capital funding

5.1.16 The funding of the capital programme is clearly set out in the capital strategy (2012-13 and beyond). Over the 5 year period from April 2011 to March 2016, approximately £26 million is required. The sources of funding are capital receipts (£3m), capital grants (£8.2m), revenue contribution to capital (£6.4m), capital reserves (£5.2m) and borrowing (£3.3m). Proposed financing for the capital programme 2011/12 to 2021/22, amounting to almost £42m, was presented to the Police Authority in February 2012 as part of the latest capital programme 2012-13 and beyond. This highlights a shortfall in Capital financing from 2017/18 if the programme continues at its current funding requirement, however, this has already been identified in the Police Authority’s risk register with proposed action of undertaking an exercise to fundamentally review capital expenditure in February 2013.

Procedures

5.1.17 Both the Police Authority Financial Regulations and the Constabulary Financial Rules include sections on the Capital Programme and Assets, setting out the overall framework and control in this area. An updated version of the Regulations is currently in draft following the move to a Police and Crime Commissioner and the Rules will be updated once these have been agreed. A list of responsibilities in relation to capital projects was distributed to staff in May 2011 setting out finance, budget holder and project manager responsibilities. The operational guidance / procedure notes for maintaining and completion of asset registers still need to be brought up to date. This was raised in the previous audit review where an implementation date of March 2013 was stated. As this date has not yet passed, no recommendation will be made regarding it in this review but it will be followed up in the next audit review.

5.1.18 Procedures relating to the compilation of the monthly capital monitoring reports require updating to incorporate the changes to the financial system.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not Actioned
R4	The guidance / procedural notes for compiling the monthly capital monitoring reports should be updated. (Grade 3)	Guidance / procedural notes are not up to date. No instruction if usual staff are not available.

Risk Management

5.1.19 The Financial Services Risk Register includes a risk relating to capital projects / expenditure. This was reviewed by the Head of Financial Services in December 2012 and again in February 2013 and control measures stated in the register are in place and operational.

**CUMBRIA CONSTABULARY
CAPITAL PROGRAMME MONITORING & ASSET REGISTER**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF THE HEAD OF FINANCIAL SERVICES)**

REPORT REFERENCE	AREA	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Capital Reporting	All costs / credits against a specific project should be reported on the same scheme line in Committee reports.	3	Financial Services Manager	A review will be undertaken to ensure that all costs are correctly reported to COG and PCC.	March 2013
R2	Capital Reporting	The capital coding list should be reviewed to ensure that descriptions are not misleading.	3	Financial Services Officer - Corporate	Capital code list has been reviewed and descriptions amended as appropriate.	March 2013
R3	Asset Registers	Asset Registers should be signed annually as accurate and complete and a copy retained on file by Finance.	3	Financial Services Manager	Procedure notes for the completion of assets registers have now been developed and include a step to get asset registers signed by the relevant Head of Service prior to inclusion in the final accounts file. The Financial Services Manager will check to ensure that this has been done.	April 2013
R4	Capital Reporting	The guidance / procedural notes for compiling the monthly capital monitoring reports should be updated.	3	Financial Services Officer - Corporate	The procedure notes will be updated and circulated to all relevant staff.	April 2013

ACTION PLAN AGREED BY:	Michelle Bellis – Financial Services Manager	DATE:	01 March 2013
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ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:	Roger Marshall - Head of Financial Services	DATE:	08 March 2013
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Draft Report Issued: February 2013

Final Report Issued: March 2013



Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
ORACLE FINANCIALS SECURITY**

Draft Report Issued: 28th March 2013
Final Report Issued: 04th June 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of Oracle Financials Security during March 2013 in accordance with the 2012/13 internal audit plan. This work was carried forward from previous years due to delays in upgrading the system.
- 1.2 In 2007, Oracle Corporation released Oracle EBS R12, introducing changes to the application technology platform, providing changes to the security authorisation concept, a new technology stack and architecture for Oracle EBS Financials.
- 1.3 In 2009, the latest version of Oracle EBS (Oracle EBS R12.1) was released, providing changes to additional application areas (e.g. Supply Chain Management, Procurement, Customer Relationship Management and Human Capital Management). Cumbria Constabulary are currently using applications version 12.1.3.
- 1.4 With the ever-changing compliance landscape, a review of the enterprise Oracle EBS environment is vital to ensuring that it is secure.
- 1.5 The following staff provided information for this review:
 - Mark Carter, Financial Services Officer
 - Richard Unwin, Database Administrator

2.0 SCOPE

- 2.1 The objective of this review is to provide management with an independent assessment relating to the effectiveness of the configuration, security and monitoring of the Constabulary's Oracle EBS architecture.
- 2.2 The main areas of assessment are as follows:
 - A review of Oracle EBS security/control parameters.
 - Ascertain whether adequate user access change management procedures exist.
 - Ascertain whether access to the program and subsequent data is restricted and maintained.
 - Determine if Oracle EBS responsibilities match user's organisational duties.
 - To ascertain if access to system output is restricted
 - Determine if access by suppliers providing external oracle support is adequately controlled.
- 2.3 This review has been performed in accordance with ISACA (previously known as the Information Systems Audit and Control Association) audit and assurance standards.

Scope Limitations

- 2.4 The audit focusses on the Security Administration of the Oracle Financials module of the Oracle EBS suite. Financial Accounting and Expenditure Business Cycles are not considered. Similarly, other Oracle EBS modules are outside the scope of this review.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 Overall, we consider that the examination of evidence for the areas assessed provides '**Satisfactory**' assurance that there are effective controls operating.

3.2 CONCLUSION

- 3.2.1 The assessment of Satisfactory assurance is a reflection that there are some sound policies and procedures in place including elements of good practice. However, there are some areas where improvements can be made to increase the security of the system.
- 3.2.2 The following areas of good practice were noted during the course of the review:
- The Force operates a strict network logon password policy.
 - Workstations are set to lock after a short period of inactivity.
 - A change management procedure is in place to manage user access to the Oracle E-Business suite.
 - The Force applies the 'Need to know' security principle with regard to Information Security.
 - User access to the Oracle system is managed using a number of delegated roles which are easier to administer than individual user accounts.
 - Segregation of duties is considered when adding or amending user account access.
- 3.2.3 A number of opportunities to further enhance controls have been identified; these matters are detailed in Appendix A – Summary of Recommendations and Action Plan. The key issues arising from this review are:
- There is scope to further increase the level and auditing and monitoring of user actions as recommended by Oracle Best Practice.
 - A number of default Oracle accounts are active which could be disabled to improve security.
 - The SYSADMIN account password is known to more than one user which may inhibit user accountability.
 - There are 13 active accounts which have allocated System Administrator privilege. The list of accounts with this privilege should be reviewed.
 - The DBA has two accounts with System Administrator privilege. One of these accounts has been allocated a business function which conflicts with segregation of duties.
 - Suppliers providing external support for the Oracle system currently have continuous and unmonitored access to the system via several accounts. These accounts also have System Administrator privilege.

3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed
- Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
- Grade 3: Minor recommendation made to improve the system under review

3.3.2 Seven recommendations have been made as a result of testing carried out, and is included in Appendix A – Summary of Recommendations and Action Plan.

4.0 FOLLOW-UP

4.1 This is the first audit of Oracle Financials Security since the system was upgraded.

5.0 FINDINGS

5.1 Security / Control Parameters

5.1.1 The latest versions (version 6) of the Information Security, Accreditation and Risk Management Policy and Procedures were obtained and the Constabulary's password policy was clarified.

5.1.2 It was confirmed that the Oracle EBS system uses Windows authentication to identify users. Therefore, Oracle password parameters are in-line with the Constabulary's password policy. Currently the following password constraints apply:

- A minimum of 12 characters long and must contain four following character types: uppercase, lowercase, numeric and alpha.
- Cannot be one of the last 24 passwords used by the user. In addition, passwords cannot be changed more than once a day.
- Must be changed every 90 days (this may be reduced to 60 days following a review).
- Accounts will lock after 5 incorrect attempts.

5.1.3 The PC connection to the Oracle system is set to time out after 30 minutes of inactivity although this is for maintaining network performance rather than a security feature. Domain PC's are set to lock Windows after 10 minutes of inactivity.

5.2 Security Administration and Change Management Procedures

5.2.1 A process is in place for managing user access to the Oracle e-business system. 'ORACLE e-Business Suite Access Authorisation' forms are held on the Intranet to be downloaded and completed. The form requests that individuals specify whether access is to be added/changed/removed, along with specifying any training requirements and providing a business need for providing access.

5.2.2 The form must be signed off by a line manager, approved by Finance before being passed to ICT to be actioned. Actioned forms are retained by ICT.

- 5.2.3 Finance (as the authorising department) is responsible for ensuring access rights are appropriate for the user's job role and users have the correct level of training.
- 5.2.4 A report detailing all user accounts was obtained and a sample of recently created accounts was selected and traced to the request forms. All of the forms examined had been signed off and approved by appropriate personnel.
- 5.2.5 It was noted that some authorisation forms are still being held by Finance following the initial set up of the system. For completeness, these should be returned to ICT for filing.

5.3 Access to Programs, Data and Other Information Resources

- 5.3.1 Physical Security and Personal Security (including access to systems) are documented in the Information Security, Accreditation and Risk Management Policy and Procedures.
- 5.3.2 The policy states that information must only be accessed or shared within the Constabulary on the basis of 'need to know'. 'Need to know' is a security principle which states that the dissemination of classified information should be no wider than is required for the efficient conduct of business.
- 5.3.3 Oracle User Profile Option Values were inspected. The Audit Trail Activate option is activated on the Production system. However, there is scope to further increase the level of auditing and monitoring of user actions as recommended by Oracle Best Practice:
- There is scope to increase the level of user auditing and monitoring on the system. For example, Oracle provides standard reports to access signon, responsibility usage, form usage etc. These can be accessed through system administrator responsibility.
 - Other possible auditing options should be discussed with the DBA. e.g. SIGNONAUDIT: LEVEL set to Form at Site level (this setting tracks actions starting when the user logs on).
N.B. Properly configuring auditing and limiting auditing to appropriate tables should not have a measurable performance impact.
 - Some active seed accounts such as WIZARD, MOBILEADM etc may be disabled if not in use.
 - The SYSADMIN responsibility has broad administrative privileges. For this reason, this list of users should be regularly reviewed.
 - User privileges should be reviewed periodically to determine relevance to current job responsibilities.
- 5.3.4 A number of Oracle default (seed) accounts were checked (e.g. GL/GL, AP/AP) to confirm if passwords had been changed or the accounts disabled. The majority were found to be disabled although a few are still active. Oracle Best Practice recommends that any unused seed accounts are disabled.
- 5.3.5 The SYSADMIN account password is known to both the DBA and the System Administrator, which could be viewed as conflicting with the Constabulary's password policy that passwords should not be shared. It also inhibits user accountability as it is not possible to identify which user has utilised the account without undertaking further analysis (e.g. absence).

5.3.6 It was established that the Constabulary currently does not encrypt sensitive data held on the database. The data held on the database is not currently classified although the Financial Services Officer suggested that the classification should be RESTRICTED.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	The system should be aligned with Oracle best practice and improve the overall security of the system (grade 3). <u>Refer to Best Practices for Securing Oracle E-Business Suite Release 12 – Oracle Metalink Note 403537.1 for further information.</u>	<ul style="list-style-type: none"> • There is no audit trail of regular monitoring of user activities. • Non-compliance with Oracle security best practice.
R2	The SYSADMIN account should not be used (or as a minimum, only used by one individual) and System Administrators should have delegated system administrator privilege on their individual accounts to prevent to use of shared passwords and to provide user accountability on the system (grade 2).	<ul style="list-style-type: none"> • System Admin privilege has the potential to be abused. • Lack of user accountability.
R3	Audit trails (logs) should be subject to regular review with specific focus on user accounts that have system administrator privileges (grade 2).	<ul style="list-style-type: none"> • System Admin privilege has the potential to be abused.

5.4 User Functions

5.4.1 A number of user roles have been established on the Oracle system to control user access to areas of the system. Essentially roles allow users to be placed in groups which have been assigned set privileges.

5.4.2 A user should be given the least amount of privilege to perform their jobs. Users should not be able to initiate, record, approve and post a transaction. This is known as segregation of duties.

5.4.3 The Financial Services Officer confirmed that segregation of duties was considered when initially defining user roles on the system. Where changes to access are requested, existing access is checked to ensure any requests for new access do not cause a conflict. Where a potential conflict has been identified Finance would discuss the requirements with the line manager and decide which access best fits the role of the individual without compromising separation of duties within that role.

5.4.4 A matrix of Oracle users and granted roles was created by Audit to determine any potential overlap of roles which may conflict with segregation of duties. Two issues were highlighted:

- 13 accounts are currently allocated System Administration privilege.
- The Database Administrator (DBA) currently has two accounts on the system (plus access to the SYSADMIN account):
 - C0309460: assigned system administrator responsibility.

- RJUNWIN: assigned system administrator responsibility and the role CP PO Goods Receiving. For appropriate segregation of duties, an administrator should not be assigned business function menus or forms.

5.4.5 Some of the accounts with system administrator privileges are Oracle default (seed) accounts and there is scope for them to be disabled. The accounts should be reviewed and a decision made whether there is a business requirement for them to remain active. All active accounts with system administrator privileges should be subject to regular monitoring (as per recommendation R3).

5.4.6 The DBA's accounts and privileges were raised with the Financial Services Officer and it was established that:

- C0309460: is used for basic testing when problems are reported; post upgrades and post data fixes to ensure that the system is running correctly from the user aspect.
- UNWINJR is the account used for DBA type work in order to provide tracking of the DBA's actions.

5.4.7 The DBA should only have one account with system administrator privilege in order to fulfil DBA duties. Use of this account should be audited and monitored. Where test accounts are required, they should be created with the same privilege as the user or role to be replicated. This should not include system administration privilege.

5.4.8 The SYSADMIN account should not be used (or as a minimum, the account should only be used by one individual) and audit trails regularly reviewed to detect usage.

5.4.9 A number of user accounts were noted with a post scripted alpha character e.g. C0308077X and C0308077Y. The Financial Services Officer explained that these postscripts are used if Central Services accidentally re-use a temporary collar number which has been used in Origin (Oracle HR) previously. Administrators will re-name the defunct account and re-create it.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R4	Accounts with the system administrator privileges should be kept to a minimum. The list of users should be reviewed periodically and the accounts either disabled or the system administrator privilege removed as necessary (grade 2).	<ul style="list-style-type: none"> • System Admin privilege has the potential to be abused.
R5	<p>The DBA should only have access to one account with system administration privilege in order to fulfil DBA duties. No business functions should be assigned to this account (grade 2).</p> <p><i>Where testing is required a temporary account should be used with roles set up to replicate the necessary test conditions.</i></p>	<ul style="list-style-type: none"> • System Admin privilege has the potential to be abused. • Inadequate segregation of duties.

5.5 System Start-up Profiles

5.5.1 The Constabulary has utilised Oracle EBS profile settings at site level. User account password standards are dictated by the Constabulary’s password policy and are therefore independent of the Oracle Suite.

5.6 Access to System Output

System Interrogation and Reporting Tools

5.6.1 Some users are able to access data for reporting purposes using a tool called Qlikview. This tool is separate to Oracle E-Business Suite and resides on a separate Windows based server. Access to data is read only and users must be a member of one (or more) Qlikview roles to be able to access the data.

5.6.2 Access to Qlikview is requested using the existing authorisation process.

Printer Output

5.6.3 Printer output is only accessible via a secure fob and therefore only the authorised user may obtain the print out from their default printer.

5.7 User ID, Responsibilities and Preferences Documentation

5.7.1 User IDs are dictated by the user’s police staff collar number which is prefixed by "C03".

5.7.2 System roles/responsibilities are well known to the security administration staff. Some benefit would be gained by documenting these roles and the levels of access they provide for future reference.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R6	System roles should be adequately documented to include the levels of access they allow to the system (grade 2).	<ul style="list-style-type: none"> System access attributes are not formally documented.

5.8 External System Support Supplier Access

5.8.1 Several accounts were identified which give external companies access to the system. These include the accounts CEDAR, CEDARSUPP and named accounts used by Patech who provide support for the Oracle E-business suite. It was observed that these accounts also have System Administration privilege on the system.

5.8.2 It is understood that these logins are not currently monitored although this is currently under review. The Constabulary should also consider if it is necessary for system access to be granted continuously or if it is feasible for access to be granted only on request.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R7	Remote access by suppliers of external system support should be closely monitored and logged (grade 2).	<ul style="list-style-type: none"> External vendor access is unsupervised. Integrity of data.

5.9 Production and Test Environment Segregation

- 5.9.1 The production environment is located on server HQSSUN01 at Penrith and the test environment is located on server WORSUN01 at Workington. The list of users for the test environment is the same as production.
- 5.9.2 The DBA confirmed that system patches and updates are thoroughly tried on the test environment before being released into production.
- 5.9.3 Production and test environments are accessed by different URL's. It is considered that both environments are appropriately segregated.

5.10 Changes to the Data Dictionary

- 5.10.1 The data dictionary is a set of read-only tables that provides information about the database. Altering or manipulating the data in data dictionary tables can permanently and detrimentally affect the operation of the database.
- 5.10.2 The DBA confirmed that only he has access to the data dictionary and that in line with Oracle advice, only changes from official Oracle updates and system patches are made to the data dictionary base tables.

**THE CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER
ORACLE FINANCIALS SECURITY**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF THE CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER)**

REF	RECOMMENDATION & GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)	
R1	<p>The system should be aligned with Oracle best practice and improve the overall security of the system.</p> <p><i>Refer to Best Practices for Securing Oracle E-Business Suite Release 12 – Oracle Metalink Note 403537.1 for further information.</i></p>	3	Richard Unwin	<p>The Oracle Best Practice guidance will be reviewed. An action plan will be developed based on an analysis of risk and any changes, which will add value to existing security protocols, will, where practical, be implemented.</p>	DECEMBER 2013
R2	<p>The SYSADMIN account should not be used (or as a minimum, only used by one individual) and System Administrators should have delegated system administrator privilege on their individual accounts to prevent to use of shared passwords and to provide user accountability on the system.</p>	2	Richard Unwin	<p>System Administrators have agreed to use the System Administration responsibility attached to their user account instead of signing on as SYSADMIN.</p> <p>Some processes within Oracle require the SYSADMIN log on to be used. Access to this account must therefore be left active. To ensure adequate cover, this log-in must remain available to more than one person, however, access to the SYSADMIN log-in and password will remain tightly controlled.</p> <p>The feasibility of accessing SYSADMIN through switching over</p>	JULY 2013

				from the individual system administrator sign on will be investigated, which would provide an audit trail for SYSADMIN. If this is not possible any use of SYSADMIN log-in will be logged / documented to provide accountability.	
R3	Audit trails (logs) should be subject to regular review with specific focus on user accounts that have system administrator privileges	2	Richard Unwin & Mark Carter	The approach to production and monitoring of system logs will be reviewed on a risk basis. A balance will be sought between benefits and the resources required (including systems resource). For low risk activities a reactive policy may be appropriate where the log is generated but only examined in the case of a problem arising. When deciding what information will be reviewed an emphasis will be placed on system administration activities and users.	JULY 2013

SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)

REF	RECOMMENDATION & GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)	
R4	Accounts with the system administrator privileges should be kept to a minimum. The list of users should be reviewed periodically and the accounts either disabled or the system administrator privilege removed as necessary.	2	Mark Carter	All user accounts with system administrator are to be reviewed. Those no longer required will be disabled or amended as appropriate. The System Administration module of Oracle, and all responsibilities linked to that module will be added to the existing monthly review of Oracle Financials modules user access.	JULY 2013
R5	The DBA should only have access to one account with system administration privilege in order to fulfil DBA duties. No business functions should be assigned to this account. <i>Where testing is required a temporary account should be used with roles set up to replicate the necessary test conditions.</i>	2	Richard Unwin	The user account UNWINRJ has been disabled with effect 10/04/13. In future, changes to the responsibilities needed for the DBA to perform their duties will be assigned to their normal user account. Any testing of responsibilities, patches or fixes will be done either in a test environment or by an existing user.	APRIL 2013
R6	System roles should be adequately documented to include the levels of access they allow to the system (grade 2).	2	Mark Carter	Documentation, including a description of the activities allowed by each responsibility to be produced.	JULY 2013
R7	Remote access by external system support suppliers should be closely monitored and logged.	2	Mark Carter	User accounts associated with suppliers of support services will be reviewed and disabled.	JULY 2013

SHARED INTERNAL AUDIT SERVICE

APPENDIX A

				<p>A change in the way we manage support calls means there is no future need for these user accounts.</p> <p>Support calls are now managed via Microsoft Lync conversations. Access to the system will be available only during these conversations; only via a member of staff's user account and always while that member of staff is at their PC monitoring all activity by the external consultant.</p>	
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AGREED BY:	<i>Mark Carter & Richard Unwin</i>	DATE:	<i>16/04/2013</i>
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APPROVED BY THE HEAD OF FINANCIAL SERVICES:	<i>Roger Marshall</i>	DATE:	<i>28/05/2013</i>
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Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER**

A REPORT ON

Data Quality: Serious Violent Crime Recording

Draft Report Issued: 3rd July 2013
Final Report Issued: 22nd July 2013

1.0 INTRODUCTION

- 1.1 In June 2013 Internal Audit undertook a review of serious violent crime data at the request of the Chief Finance Officer / Deputy Chief Executive of the Cumbria Office of the Police and Crime Commissioner.
- 1.2 The review was requested due to concerns about a significant rise in serious violent crime reported by the Constabulary from 2011/12 to 2012/13.
- 1.3 Serious violent crime is included as a headline measure in the Policing Plan 2012/15 with an aspiration to maintain 2011/12 performance. The Constabulary's End of Year Performance Report for 2012/13 shows this headline measure in exception. The report shows a 60% increase in recorded serious violent crime offences from 2011/12 to 2012/13.
- 1.4 Serious violent crimes are listed as follows:
 - Homicide, infanticide and child destruction.
 - Manslaughter.
 - Attempted murder.
 - Assault with intent to cause serious harm.
 - Causing death by dangerous driving.
 - Causing death by careless driving when under influence of drink / drugs.
 - Causing death by careless or inconsiderate driving.
 - Causing death by aggravated vehicle taking.
- 1.5 The contacts for this review were:-
 - Peter Berry – Force Crime Registrar
 - Nicola Broomfield – Partnerships & Strategy Manager (Cumbria Office of the Police & Crime Commissioner)

2.0 SCOPE

- 2.1 The scope of the audit was as follows:
 - Establish what changes were introduced to the classification of violent crime following the Home Office reduction to the number of crime categories used for reporting recorded crime in April 2012.
 - Establish what guidance (training) material has been prepared in response to the changes and who it has been issued to. Ensure the local interpretation of the changes correctly reflects national guidance.
 - Review recorded crime figures (violent crime) during 2012/13, looking at trends and considering the impact of the classification changes.
 - Test a sample of violent crimes recorded in the system to ascertain whether they have been correctly classified and meet the criteria / definitions as per national guidance. Ensure coverage over the year 2012/13 (pre and post internal review) and across all Territorial Policing Areas. Ascertain what internal checking of the

data is carried out and what findings have been reported (including subsequent actions).

- Conclude on the overall robustness and accuracy of violent crime data.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 The overall evaluation for the controls operated in this area is **fair**.

3.2 CONCLUSION

- 3.2.1 The Constabulary is already aware of the data quality issues highlighted by the Force Crime Registrar's audits of serious violent crime and crime and incident recording during 2012/13 and Internal Audit data quality reviews. Activities have been ongoing to address the data quality risks highlighted and a further review of crime and incident recording is scheduled for July 2013. Key recommendations arising from Audit and Inspection work are monitored on an ongoing basis with quarterly updates to the Joint Audit and Standards Committee.
- 3.2.2 Home Office changes to police recorded crime classifications in April 2012 have moved the focus of assault classification to evidence of intent rather than the actual injury inflicted. This has caused some misinterpretation, particularly with regard to weapon usage. Home Office guidance material is available, with operational examples, but an element of subjective interpretation remains.
- 3.2.3 Audit tests showed that a relatively high proportion of crimes had been classified incorrectly as 'assaults with intent to cause serious harm' and therefore classified as serious violent crimes. They should have been classified as 'assaults with injury (or no injury)' and therefore excluded from the serious violent crime category. In most cases these assaults had been classified correctly by Police Officers and then incorrectly re-classified by the Central Crime Management Unit. Misinterpretation of Home Office guidance regarding weapon usage and intent appears to be the main reason for non-compliance.
- 3.2.4 The results of this internal audit review and the Force Crime Registrar's review of serious violent crime indicate that there are potentially more incorrectly classified serious violent crimes during the period April 2012 to date. Numbers of reported crimes in the serious violent crime category have been over stated through inappropriate quality classifying practices. We consider that the risk to data quality in this area needs to be re-assessed and managed accordingly to ensure an acceptable level of data quality.

3.1 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.

Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.

Grade 3: Minor recommendation made to improve the system under review.

3.3.2 Recommendations are included to this report as Appendix A – Summary of Recommendations and Action Plan (for the attention of Cumbria Constabulary).

4 DETAILED FINDINGS & RECOMMENDATIONS

4.1 Crime Classification Changes

4.1.1 In April 2012 the Home Office introduced a number of changes to police recorded crime classifications. It was an attempt to rationalise the number of classifications used from 148 down to 126 by aggregating a number of sub categories. Consequently the changes don't impact upon the overall number of crimes recorded, rather the numbers within sub categories.

4.1.2 Changes were made to serious violent crime classifications relating to assault. The previous classification of 'wounding or carrying out an act endangering life (inflicting GBH with intent)' and its various sub categories was re-classified into two distinct categories. Assault with intent to cause serious harm and assault with injury (ABH & GBH without intent).

4.1.3 The Central Crime Management Unit (CCMU) is aware of the changes to police recorded crime classifications and is in possession of updated Home Office Counting Rules For Recorded Crime. This includes a useful flowchart (updated July 2012) to guide the user in determining the crime classification of individual assaults. The chart includes examples of circumstances that may indicate intent to cause serious harm. The Central Crime Management Unit (CCMU) is responsible for supporting and auditing the crime management and recording process across the force. Officers in this unit have detailed knowledge of Home Office guidance on crime and incident recording. Ongoing advice is offered to officers during operational activity regarding the crime recording process. This helps to ensure that crime and incident data is recorded accurately, consistently, completely and in accordance with Home Office requirements.

4.2 Crime Data Quality

- 4.2.1 There are a number of controls in place to ensure that high quality crime and incident data enters STORM (System for Tasking & Operational Resource Management) and SLEUTH (crime recording system shared with Lancashire Police). Newly recruited Police Officers receive a full days training on national crime recording as part of their initial training programme. This is followed up with a more in-depth course a year later. The Central Crime Management Unit (CCMU) provides this training which is designed to improve data quality by reducing the risk of incident and crime recording errors and interpretation issues. Detailed handouts are provided to delegates in areas such as the National Standards for Incident Recording, Sanction Detection and National Crime Recording Standards. Ultimately all officers have a responsibility for data quality and the training helps to reinforce these data quality expectations and responsibilities. It is understood that training material has been amended where necessary to reflect the Home Office crime classification changes.
- 4.2.2 The STORM and Sleuth systems also have certain built in controls to reduce the scope for human error, missing data and inaccurate data. These controls include mandatory fields, drop down lists and access security levels. Crime classifications are selected from drop down lists of clear, current options.
- 4.2.3 Crime data published on the force intranet also includes a full list of crime classifications and a link to the Home Office Counting Rules for further details about crime classifications and counting rules. This additional material is readily available to Police Officers for reference to provide further clarity in respect of crime recording.
- 4.2.4 The Central Crime Management Unit has sight of all initial crime details and is responsible for prioritising and allocating reported crimes for investigation. The Unit is therefore able to conduct an initial data quality review against Home Office standards and identify any crime recording issues at an early stage. This review process can highlight crimes that require re-classification, particularly in response to Home Office recorded crime classification changes. Three officers within the Central Crime Management Unit have authority to perform crime re-classifications. Crime re-classifications are fully documented within the system for the attention of individual police officers. The documented explanations for each re-classification contribute to police officers' knowledge and understanding of crime recording, thus raising data quality standards.

4.3 Crime Figures

- 4.3.1 The Information Management Unit (within Strategic Development) extracts crime data from SLEUTH on a monthly basis for reporting purposes using a series of established queries. The data automatically populates a performance crime dashboard on the force intranet and a Home Office reporting template, CRIMSEC 3. Formulae are established within the dashboard to calculate performance measures in accordance with current Home Office Counting Rules for Recorded Crime.
- 4.3.2 The crime statistics dashboard presents crime data by category and displays the number of recorded crimes in the selected period, the number of detections and the rate of detection. The dashboard shows 91 serious violent crimes recorded in

2011/12, rising to 146 in 2012/13, an increase of 60%. The data is broken down as follows:-

Table 1 – Number of Crimes Recorded Each Year

Crime	2011/12	2012/13
Homicides	1	4
Other Serious Violent Crime	8	8
Assault – Cause Serious Harm	82	134
Total	91	146

- 4.3.3 Constabulary performance reports acknowledge that this crime category has been affected by the Home Office changes to crime classifications implemented in April 2012. The explanation provided is that more crimes are being classified as serious now that ‘intent’ is the determining factor in seriousness, rather than the resulting injury. Weapon use is viewed as an indication of intent to cause serious harm. The reports also stress that Cumbria has such low figures in this category that any small increase in offences can make the resulting percentage change appear very high.
- 4.3.4 During 2012/13 the Constabulary sought to identify possible reasons for the increase in the number of serious violent crime offences. The research identified that both drugs and alcohol were common denominators. Action was taken in response to these findings. Additional resources were allocated to addressing the ‘tide of drugs entering the county’ and various educational initiatives were run with partners in respect of alcohol such as the ‘Every Action Has Consequences’ campaign.
- 4.3.5 The Constabulary also reports that all serious violent crime offences are discussed and monitored through Tasking & Co-ordinating Group Meetings, Daily Management Meetings and Territorial Policing Area Management Team Meetings.

4.4 Audit Testing

- 4.4.1 The Central Crime Management Unit is also responsible for auditing the accuracy of crime and incident data. The Home Office has published a Data Quality Audit Manual to support and guide this process. The Force Crime Registrar performs a self audit of crime and incident recording on a periodic basis utilising this guidance material. Whilst retrospective in focus any issues arising from the audits are reported to senior officers for action. They are followed up by the Crime Management Unit through an established monitoring routine to ensure they are fully addressed and this helps to ensure data quality standards are maintained.
- 4.4.2 In January 2013 a Summary Performance Report highlighted an 81% increase in recorded serious violent crimes, from 91 crimes in 2011/12 to 165 crimes to date in 2012/13. The significant rise in recorded serious violent crime offences in 2012/13 prompted the Force Crime Registrar to perform an unscheduled audit of this area towards the end of the financial year. A two month period was reviewed commencing 1st December 2012. Issues were found and around 25 serious violent crimes were re-classified and dropped from the category as part of the review thus reducing the reported increase to 60%. The Crime Registrar addressed the identified training issue with the Crime Management Unit, providing feedback on the review findings, re-iterating the classification system and requesting greater care with crime

classification. The Chief Officer Group was verbally updated with review findings and actions taken and a follow up review has been scheduled for the end of July 2013.

- 4.4.3 The internal audit review sample tested serious violent crimes recorded throughout 2012/13 but excluded the two month period that was covered by the Force Crime Registrar’s review. The sample was selected to cover the period before and after the internal review and to give a good cross section of Territorial Policing Areas (TPA). In total 22 recorded serious violent crimes were selected for testing.
- 4.4.4 The STORM log and SLEUTH record in respect of each crime in the audit sample was examined to ascertain whether the crime had been correctly classified as a serious violent crime, in accordance with Home Office criteria / definitions.
- 4.4.5 Audit tests showed that 6 of the 22 crimes reviewed (27%) had been classified incorrectly as assaults with intent to cause serious harm. They should have been classified as assaults with injury (or no injury) and therefore excluded from the serious violent crime category. An equal number of incorrect classifications were found in each Territorial Policing Area.
- 4.4.6 Five of the six crimes identified as incorrectly classified were initially classified as assaults without intent to inflict grievous bodily harm. However the Central Crime Management Unit re-classified these crimes to assaults with intent to cause serious harm as part of their established review process. The re-classifications were made because of the use of weapons. Close examination by internal audit showed that the circumstances surrounding each crime did not suggest any intent to commit GBH and so the original classifications by Police Officers should have been upheld.
- 4.4.7 The sixth incorrectly classified crime in the sample was classified incorrectly in the first instance and agreed by the Central Crime Management Unit during their review process. The crime was classified as assault with intent to cause serious harm when in fact there was no evidence of intent.
- 4.4.8 Misinterpretation of Home Office guidance regarding weapon usage appears to be the main reason for non-compliance.
- 4.4.9 The standard Home Office scoring system for data quality audits is as follows:-

POOR	FAIR	GOOD	EXCELLENT
79.9% and below of case files comply	between 80% & 89.9% of case files comply	between 90% & 94.9% of case files comply	95% and above of case files comply

- 4.4.10 In total crime classification queries were raised in 27% of cases reviewed. Under the above scoring system this result would generate a judgement of **poor** as it equates to 73% compliance. Four of the classification errors occurred before the internal review and two occurred after the internal review. The error rate dropped from 36% to 18% which indicates some improvement in the quality of crime classification data following the internal Force Crime Registrar’s review and subsequent actions. However the rate of non compliance still does not generate more than a ‘fair’ judgement.

- 4.4.11 The results of this internal audit review and the Force Crime Registrar’s audit in June 2012 show that the increase in recorded serious violent crimes from 2011/12 to 2012/13 may be due to incorrect classification rather than a significant rise in serious crime. Both reviews highlight the incorrect re-classification of ‘assaults with injury’ to ‘assaults with intent to cause serious harm’ by the Central Crime Management Unit as part of their scrutiny role. This commonly takes place where a weapon has been involved and this has been wrongly interpreted as indicating ‘intent to cause serious harm’. More time needs to elapse and ongoing supervision / monitoring before the impact of the Force Crime Registrar’s actions following his review become fully clear. There is an expectation that the quality of crime classification data will show a marked improvement. Crime classification will be re-visited in July 2013 as part of a routine, scheduled Central Crime Management Unit review of crime and incident recording.
- 4.4.12 The incorrectly classified crimes highlighted by the Force Crime Registrar’s review were re-classified and thus removed from the serious crime category reducing reported crimes in this area. The results of this internal audit review and the Force Crime Registrar’s review indicate that there are potentially more incorrectly classified serious violent crimes during the period April 2012 to date. Numbers of reported crimes in the serious violent crime category have been over stated through inappropriate classifying practices. This could dilute the seriousness of genuine serious violent crimes in this category and produces inaccurate management information. Inaccurate and misleading data can lead to flawed decision making and ultimately reputational damage. There is a need for the risk to data quality in this area to be re-assessed and managed accordingly, to ensure an acceptable level of data quality.
- 4.4.13 Accurate, reliable and robust management information is fundamental to decision making at a local and national level. For instance the force needs an accurate picture of the extent, type and location of crime in areas to make plans to best achieve outcomes for victims and their communities. Consideration needs to be given to determining the cost / benefits of reviewing all serious violent crimes during this period and re-classifying crimes to less serious codes where necessary.

RECOMMENDATIONS		
Ref	Recommendation	Grade
R1	There should be close monitoring and supervision of Central Crime Management Unit crime re-classifications in respect of serious violent crime.	1
R2	The risk to serious violent crime data quality should be re-assessed and managed accordingly to ensure acceptable data quality standards.	2
R3	Consideration needs to be given to determining the cost / benefits of reviewing all serious violent crimes during this period and re-classifying crimes to less serious codes where necessary.	1

**CUMBRIA CONSTABULARY
CRIME & INCIDENT RECORDING**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN (J310001)
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	There should be close monitoring and supervision of Central Crime Management Unit crime re-classifications in respect of serious violent crime.	1	Force Crime Registrar	As documented within the report the Force Crime Registrar will continue to audit and supervise serious violent crime, both through monitoring of the category by exception and through specific audit.	This is an on-going function which will be initially measured against the Constabulary NCRS audit August 2013
R2	The risk to serious violent crime data quality should be re-assessed and managed accordingly to ensure acceptable data quality standards.	2	Force Crime Registrar	As at present, this category will continue to be assessed as part of the Constabulary audit of 'Violence against the person' crimes.	On-going crime management role
R3	Consideration needs to be given to determining the cost / benefits of reviewing all serious violent crimes during this period and re-classifying crimes to less serious codes where necessary.	1	Force Crime Registrar	This recommendation is not considered feasible in light of the resource requirement and subsequent financial cost required to both identify and quality assure data across this period.	Recommendation not agreed.

ACTION PLAN COMPLETED BY:	Peter Berry Force Crime Registrar	DATE:	17.07.13
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ACTION PLAN APPROVED BY	Iain Goulding Detective Chief Superintendent	DATE:	17.07.13
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Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
ALLOWANCES & SPECIAL PAYMENTS (WINSOR REVIEW)**

Draft Report Issued: May 2013
Final Report Issued: June 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of the controls in place for implementing recommendations of part one of the Winsor review in May 2013 as part of the 2012/13 internal audit plan.
- 1.2 The Winsor review looked at police pay and conditions with the purpose of improving service for the public and maximising value for money and several recommendations were made as a result of the review. The majority of the recommendations, made under part one of the review, were supported by the Police Arbitration Tribunal in January 2012, and due to be implemented in April 2012.
- 1.3 Information during this review was provided by staff in the Employee Services department.

2.0 SCOPE

- 2.1 The following table indicates the associated risks for the areas reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Implementation of the recommendations in the Winsor Review (part one)	<ul style="list-style-type: none"> • Recommendations not implemented or incorrectly applied. • Recommendations not implemented at relevant date.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.

- 3.1.2 Evaluations of controls following testing carried out during this review:

CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Implementation of Winsor Recommendations (part one).	Good	-	-	-	5.0

3.2 CONCLUSION

- 3.2.1 From the sample of payments tested Internal Audit concludes that the recommendations of part one of the Winsor review in respect of pay and allowances have been correctly implemented.

3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed
- Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
- Grade 3: Minor recommendation made to improve the system under review

3.3.2 No recommendations have been made as a result of testing carried out in this review.

4.0 FOLLOW-UP

4.1 This is the first audit of this area.

5.0 FINDINGS

5.1.1 A sample of payments affected by part one of the Winsor review, including Superintendents bonuses, hardship, overnight and unsociable hours allowances, rest day payments and overtime, were selected for testing.

5.1.2 All payments were found to be paid in line with the recommendations of part one of the Winsor review.

5.1.3 The Winsor review recommended that competency related threshold payments are not given to new applicants. Review of a sample of these payments made during 2012/13 confirmed that the payments were not made to new applicants. A sample of pay increments was also reviewed. Explanations were provided for all those in the sample to confirm that they had been correctly paid.



Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**A REPORT FOR:
THE CUMBRIA OFFICE OF THE POLICE AND CRIME
COMMISSIONER**

**ON:
TERRITORIAL POLICING AREAS**

Draft Report Issued: July 2013
Final Report Issued: September 2013

1.0 INTRODUCTION

- 1.1 Internal Audit undertook an audit review of financial management systems at the West (Workington), North (Carlisle) and South (Kendal) Territorial Policing Areas (TPA's) during July 2013.
- 1.2 Areas of administrative responsibility at the Territorial Policing Areas changed in 2012/13 with some areas being centralised. This review considers the functions remaining in the Territorial Policing Area offices.
- 1.3 Administrative and 'front desk' staff at each of the three TPA's provided information during these reviews.

2.0 AUDIT SCOPE

- 2.1 The following table indicates the associated risks and sample of information reviewed by Internal Audit for each individual area reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Income Collection & Banking	<ul style="list-style-type: none"> • Income goes missing prior to payment to bank. • Inaccurate income records. • Uninsured income stolen / destroyed.
Petty Cash	<ul style="list-style-type: none"> • Monies stolen or misplaced from imprest / sub-floats. • Inappropriate expenditure.
Found Property	<ul style="list-style-type: none"> • Property handed in not recorded. • Property sold privately or misappropriated for personal use.
Inventory	<ul style="list-style-type: none"> • No record of items in case of theft / destruction.

3.0 OVERALL EVALUATION, CONCLUSION & RECOMMENDATIONS

3.1 EVALUATION

- 3.1.1 **The evaluation of controls is based on testing carried out at the time of the audit, usually based on sampling. Internal Audit assesses the controls operating in each audited area as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.**
- 3.1.2 **Table A: Evaluations of controls following testing carried out during this audit review:**

AREA REVIEWED	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Income Collection & Banking	Satisfactory	-	1	-	5.1
Petty Cash Administration	Satisfactory	-	1	3	5.2
Found Property	Fair	-	1	-	5.3
Inventory	N/A	-	-	-	5.4
Overall Evaluation	Satisfactory	-	3	3	

3.2 CONCLUSIONS

- 3.2.1 Banking is undertaken regularly to ensure insurance limits are not breached. A couple of instances of income not being receipted were noted.
- 3.2.2 Petty cash expenditure appeared appropriate but staff at the North TPA should be reminded of the need to provide receipts and any change promptly so records are complete and expenditure fully accounted for. VAT should only be reclaimed where appropriate receipts are held.
- 3.2.3 Items could not always be agreed from 'live' found property records to store. It should be ensured that all staff involved with found property update the database with action taken for that item.
- 3.2.4 There are currently no inventory records at either the West or South TPA's and the North equipment list appeared incomplete. A central review of inventories is taking place and formal guidance will be issued to area offices on preparing inventory records once the review is complete.

3.3 RECOMMENDATIONS

- 3.3.1 Six recommendations are made in this report.

4.0 FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 4.1 The previous audit reviews on financial management were carried out in 2011, resulting in control evaluations of good for all three areas with one recommendation for the North and six recommendations for the South.
- 4.2 The previous recommendations made were followed up as part of these reviews.

RECOMMENDATION	GRADE	AUDITEE RESPONSE TO ORIGINAL ACTION PLAN	ACTIONS IDENTIFIED THIS AUDIT
North TPA: Serial numbers should be recorded in the inventory record where expected.	3	To ensure the inventory records serial numbers where applicable	Serial numbers were seen on equipment list provided but list requires updating.
South TPA: All income received should be receipted and banked.	2	Admin staff will be reminded of the importance of accurate recording, receipting, reconciliation and banking of income. Periodic checks of income held in safes will be instituted. Additional training will be offered to staff where appropriate.	All income had been receipted, though income sent from Windermere station is not.
South TPA: Orders should be authorised in accordance with the BCU's Scheme of Delegation.	3	Staff will be reminded of the need to comply with the BCU's Scheme of Delegation when authorising orders	N/A – ordering is now done via an i-procurement system which has in built controls to ensure appropriate authorisation.

RECOMMENDATION	GRADE	AUDITEE RESPONSE TO ORIGINAL ACTION PLAN	ACTIONS IDENTIFIED THIS AUDIT
South TPA: Estimated prices should be included on copy orders.	3	Admin staff will be reminded of the importance of recording an estimate of value on all orders to allow accurate calculation of commitments.	N/A – ordering is now done via an i-procurement system which requires prices on orders.
South TPA: The petty cash error should be corrected.	3	The petty cash error has been corrected.	Changes have since been made to petty cash meaning this item has been dealt with.
South TPA: Cash in found property should be receipted and banked.	3	The Admin Manager has contacted all staff who handle found property to remind them of the need to record, receipt and bank found cash in accordance with the financial rules. Found property will be checked periodically to ensure that all income has been banked.	50p was found in a wallet during testing (this entry into found property was not made by front desk staff).
South TPA: The inventory record should be brought up to date.	3	The inventory record will be brought up to date, now that work to upgrade the Kendal Custody Unit has been completed.	No. There is currently no inventory record at South TPA.

5.0 DETAILED FINDINGS & RECOMMENDATIONS

5.1 Income Collection & Banking

West Area

- 5.1.1 The system for receipting, banking and posting income to the accounts at West Area HQ was reviewed and found to be operating well. All income is receipted and banked promptly so that insurance limits on cash holdings are not exceeded and accounts information is up-to-date.
- 5.1.2 A sample of receipts was traced to the bank paying in book and for each banking the receipt book was ruled off, totalled and referenced to the bank paying in slip number.

South Area

- 5.1.3 South Area HQ’s system for receipting, banking and posting income to the accounts was reviewed and found to be operating well. All income is receipted promptly and banked so that insurance limits on cash holdings are not exceeded and accounts information is up-to-date.
- 5.1.4 South Area HQ receives income from Windermere station to bank. When received the slips stating the amount sent to South Area HQ are signed as evidence of receipt but this income is not receipted into the South Area receipt book. The receipt book is not ruled off, totalled and cross referenced to the bank paying in slip at each banking (some receipts contain comments such as “returned to loser” in the case of found cash claimed before banking).

North Area

- 5.1.5 At North Area HQ receipts are individually marked with ‘PTB’ and the date and initials of the banker (though not the bank slip number) rather than being ruled off, totalled and referenced to the bank paying in slip number.
- 5.1.6 It was noted that not all receipts result in money being banked. For example some receipts were marked with comments such as ‘contaminated – sent to HQ’ and the date recorded.
- 5.1.7 Some receipts were also included in banking at a later date than the receipts around them or related to money yet to be banked. These instances relate to seized cash which is not banked until a form 51 has been received (in case it needs to be sent away for fingerprinting or analysis etc). It was stated that seized cash is recorded in a seized cash database and that it should not be receipted until it is banked but that front office staff often receipt it on receiving it. If seized cash was recorded on the database when received but not receipted until it was to be banked then the receipt book could be more easily cross referenced to the bank paying in slips.
- 5.1.8 We were informed that the process for seized cash was being looked into centrally.
- 5.1.9 From the data reviewed it was noted that on two occasions income banked had not been receipted (totalling £870). It was stated that this was likely down to human error.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not actioned
R1	All income received should be receipted (Grade 2).	<ul style="list-style-type: none"> Income is unaccounted for / lost.

5.2 Petty Cash Administration

West Area

- 5.2.1 West TPA has a petty cash imprest of £500, which includes a sub-float of £50 held in custody.

5.2.2 The account is regularly reconciled and records were found to be complete and well maintained. The main amount of £450 was reconciled at the time of the audit but the custody sub-float of £50 was found to be £4.75 down. This was referred to the custody Sergeant for review by the administrative assistant.

South Area

5.2.3 South TPA has a petty cash imprest of £250, which includes a sub-float of £50 held in custody.

5.2.4 The account is regularly reconciled and records were found to be complete and well maintained (petty cash vouchers and receipts are sent to HQ for reimbursement and so could not be reviewed during the audit visit). The main amount of £200 was reconciled during the audit. The custody petty cash was not reviewed.

North Area

5.2.5 North TPA has a petty cash imprest of £500, which includes a sub-float of £50 held in custody.

5.2.6 The account is reconciled and reimbursed on an approximately two to three monthly basis. It was noted that receipts and actual spend amounts were not recorded on a few petty cash vouchers. These had been included for reimbursement at the amount given out to the individual. In cases where change is subsequently returned this is paid into the bank.

5.2.7 The imprest of £500 was reconciled at the time of the audit (though it was noted that £11.11 was being held within an envelope in the petty cash tin and when queried it was stated that this was not included in the balance of the imprest but related to previous instances where the petty cash was found to be over its imprest).

5.2.8 It was noted that VAT was being manually calculated and reclaimed for vatable items where the VAT amount was not shown separately on the receipt (and in one case where the receipt stated this is not a VAT receipt). HMRC has guidelines on what constitutes a 'VAT invoice' and thus what is required in order for VAT to be reclaimed.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not actioned
R2	The discrepancy in the Workington custody float should be identified and corrected (Grade 3).	<ul style="list-style-type: none"> Petty cash not correctly accounted for.
R3	The £11.11 extra in the Carlisle petty cash should be paid into the bank (Grade 3).	<ul style="list-style-type: none"> Cash held but not accounted for.
R4	Employees should be reminded to return receipts and change from petty cash promptly and items should not be included for reimbursement until actual spend is known and receipts are received (Grade 3).	<ul style="list-style-type: none"> Petty cash not correctly accounted for.
R5	VAT should only be reclaimed where appropriate receipts are retained (Grade 2).	<ul style="list-style-type: none"> Incorrect claiming of VAT.

5.3 Found Property

5.3.1 As of April 2012 a database was introduced for use by the entire force to record found property rather than the manual triplicate books that were previously used. An on screen form is completed for each item (including certain mandatory fields) and when saved this generates the unique ID number for that item of property.

- 5.3.2 The found property database was reviewed for each area and a sample of items held in the store was traced to the records. A sample of items recorded on the database was also traced to the store.
- 5.3.3 At West Area two items from the database record could not be located in the store. It was stated that as they were both over 28 days old it is probable they had been reviewed and dealt with appropriately (disposed of, sent to auction, sent to HQ etc.). There is a need to ensure that the database is updated promptly and accurately to reflect whether items have been disposed of or whether they should still be in store and are in fact missing.
- 5.3.4 At South Area two items from the database record could not be located in the store. These items were not over 28 days old and so should not have been disposed of. We were subsequently informed that a PC had removed one of the items and that it had now been returned to store.
- 5.3.5 One item at North Area could not be traced from the database to the store. Again the item was recent and so should not have been disposed of, yet the record showed it as in store. One item traced from the store was found to have second item recorded with it in the database. This was not in store. From the database record it is possible that the second item may still be at the station that it was originally handed in to. If this is the case, all items with the same ID number should be kept together.
- 5.3.6 It should be ensured that all staff dealing with found property update the database promptly when the status of an item changes.
- 5.3.7 At both West and South Areas the cupboards where the small items of found property are held are not locked and do not have restricted access. We were informed that this is because access is required when front office staff are not at work either to return items to their owners or to place found property in the store. In North Area, access to the found property store is by key fob and it was stated that this is restricted to five members of staff.
- 5.3.8 Each area has a different process in respect of cash held in items of found property. All areas reported that the cash should be recorded on the found property database.
- 5.3.9 West Area leave the cash in the item in the store cupboard overnight and place it in the safe for the administrative assistant to receipt the following day during normal office hours.
- 5.3.10 South Area receipt the income immediately, remove it from the item, and store it in the safe within their office before the administrative assistant collects it when banking. Despite this, a small amount of change was found in a wallet during testing – this item had not been entered into the database by a front desk member of staff and it was stated that if it had they would have receipted it and placed it in the safe. Safe access is restricted to front desk staff and the administrative assistant.
- 5.3.11 North Area receipt the cash immediately if there is a large amount (approx. £100 or more), otherwise the item is marked with its ID number and placed in the safe within the office for a couple of weeks before being receipted and banked.

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risks if not actioned
R6	All staff involved with found property should be reminded of the process to be followed and the importance of maintaining the found property database accurately (Grade 2).	<ul style="list-style-type: none"> It cannot be determined if items of property are misplaced / stolen. Inaccurate database records.

5.4 Inventory

- 5.4.1 The West and South TPA's currently have no inventory record.
- 5.4.2 An equipment list was provided at North TPA but this only contained 24 items (printers, scanners and MFP's) and thus clearly not all desirable and portable equipment that is currently held.
- 5.4.3 It was stated that there is currently a central review of inventories being undertaken and that area staff have not yet been asked to collate inventory records. Once the review is complete, guidance will be issued to staff and records prepared. It is anticipated that this review will be completed by the end of October 2013, and with regard to this no recommendation or evaluation has been made in this report.

**CUMBRIA CONSTABULARY
TERRITORIAL POLICING AREAS**

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	All income received should be receipted.	2	Alison Hunter	Procedures to be sent out as a reminder to all areas.	By 31 August 2013
R2	The discrepancy in the Workington custody float should be identified and corrected.	3	Alison Hunter	The discrepancy has been rectified – some expenditure had not been recorded on the sheet.	Completed
R3	The £11.11 extra in the Carlisle petty cash should be paid into the bank.	3	Alison Hunter	Excess amount to be paid to bank.	By 31 August 2013
R4	Employees should be reminded to return receipts and change from petty cash promptly and items should not be included for reimbursement until actual spend is known and receipts are received.	3	Alison Hunter	Extra training to be provided to Admin Officer.	By 31 August 2013

ACTION PLAN AGREED BY:	<i>Alison Hunter</i>	DATE:	<i>11/08/2013</i>
ACTION PLAN APPROVED BY:	<i>Roger Marshall</i>	DATE:	<i>03/09/2013</i>

**CUMBRIA CONSTABULARY
TERRITORIAL POLICING AREAS**

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R5	VAT should only be reclaimed where appropriate receipts are retained.	2	Alison Hunter	Reminder and procedures to be sent out to all areas.	By 31 August 2013
R6	All staff involved with found property should be reminded of the process to be followed and the importance of maintaining the found property database accurately.	2	TPA Chief Inspectors	Findings to be sent out to Area Chief Inspectors responsible for Front Desk found property store.	By 31 August 2013

ACTION PLAN AGREED BY:	<i>Alison Hunter</i>	DATE:	<i>11/08/2013</i>
ACTION PLAN APPROVED BY:	<i>Roger Marshall</i>	DATE:	<i>03/09/2013</i>



Building Pride in Cumbria

CUMBRIA SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER

ON
TREASURY MANAGEMENT**

**Draft Report Issued: 22 August 2013
Final Report Issued: 2 September 2013**

1.0 INTRODUCTION

- 1.1 Internal Audit undertook an audit review of treasury management as part of the 2013/14 internal audit plan.
- 1.2 The following staff provided information during this review:
- Lorraine Holme, Financial Services Officer.

2.0 AUDIT SCOPE

2.1 The following table indicates the associated risks reviewed by Internal Audit for this area:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Treasury Management	<ul style="list-style-type: none"> Loss of capital invested Returns below market rate Undetected problems due to insufficient / inaccurate reporting

3.0 OVERALL EVALUATION, CONCLUSION & RECOMMENDATIONS

3.1 EVALUATION

3.1.1 The evaluation of controls is based on testing carried out at the time of the audit, usually based on sampling. Internal Audit assesses the controls operating in each audited area as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.

3.1.2 Table A: Evaluations of controls following testing carried out during this audit review:

AREA REVIEWED	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Treasury Management	Good	-	-	-	

3.2 CONCLUSIONS

Treasury Management

3.2.1 Controls over treasury management are well established and continue to operate well. There is compliance with the approved treasury management strategy and activity is reported to the Office of the Police and Crime Commissioner and the Joint Audit and Standards Committee on a regular and timely basis.

3.3 RECOMMENDATIONS

- 3.3.1 No recommendations have been made as a result of testing carried out.

4.0 FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 4.1 Treasury management arrangements were last reviewed in August 2012 and were assessed as good. There were two recommendations made. One recommendation is no longer applicable and the second has been actioned.

5.0 DETAILED FINDINGS & RECOMMENDATIONS

5.1 Treasury Management

- 5.1.1 The annual Treasury Management Strategy (TMS) for 2013/14 was approved by the Cumbria Office of the Police and Crime Commissioner (OPCC) in February 2013, as required by the CIPFA Code of Practice. The Strategy also sets out the Prudential Indicators for 2013/14 to 2015/16. All relevant staff are aware of the content of the TMS.
- 5.1.2 The 2011 CIPFA Treasury Management code requires the Treasury Management Strategy Statement to be subject to independent scrutiny. The last independent appraisal of the Strategy was carried out by CIPFA in January 2012.
- 5.1.3 The OPCC continue to contract Arlingclose Ltd. to provide credit ratings for prospective investment counter-parties as well as providing general financial and economic advice as a context to better inform and support investment decisions. Investments are restricted to an approved list of counterparties set out in the Strategy. It was evident during the audit that when advice is received from Arlingclose the list is updated to reflect the advice given.
- 5.1.4 The Financial Services Officer undertakes day to day transactions in respect of treasury management. The bank account reconciliation is carried out independently of the Financial Services Officer providing an appropriate segregation of duties.
- 5.1.5 A cashflow spreadsheet is maintained to calculate surplus balances available for investment. This is reviewed on a daily basis with any surplus funds invested with an approved counterparty. Smaller balances are invested overnight in the 'Liquidity Select' account.
- 5.1.6 Payments to counterparties are made via an automated link ("Bankline") to the bank and clear the same day via CHAPS. Transactions are arranged by telephone with the dealer and input to the bankline system. The authoriser then approves the Bankline transaction. To maintain a segregation of duties the inputter cannot also authorise the transaction.
- 5.1.7 A listing of counterparties set up on the Bankline system was extracted at the date of the audit and checked to authorised counterparties in the TMS. There were no investment counterparties set up other than those in the TMS. Other counterparties on Bankline were there for legitimate purposes e.g. Inland Revenue.

- 5.1.8 Copies of confirmation of investments (dates, amount and interest rate) were retained on file for the investments selected in the audit sample. The correct amount of interest had been credited on the date due.
- 5.1.9 A report based on the spreadsheet investments record is created by the Financial Services Officer on a weekly basis and is reviewed and approved by the Chief Constable's Chief Finance Officer. A copy is also provided electronically to the Director of Corporate Support and the Chief Finance Officer for the PCC.
- 5.1.10 Monitoring reports on treasury management performance are prepared by the Financial Services Manager and presented to the Cumbria Police and Crime Commissioner and Cumbria Constabulary Joint Audit and Standards Committee on a quarterly basis with an annual report produced no later than 30 September. The monitoring reports are comprehensive and provided on a timely basis. Treasury management performance is also clearly shown with return on investments compared to budget and to average base rate, and success in minimising un-invested balances to maximise funds on interest bearing deposit.
- 5.1.11 Changes to the TMS are submitted to the Police and Crime Commissioner for authorisation and to the Chief Finance Officer for officer approval. The TMS and amendment documentation are available on the PCC web site.
- 5.1.12 Monthly reconciliations from the spreadsheet records to Oracle GL for both investments and interest earned are carried out and independently reviewed on a regular basis. At the time of the audit the latest reconciliation related to June 2013. All reports were prepared and reviewed on a timely basis.
- 5.1.13 Prudential Indicators were approved by the OPCC in February 2013 as part of the TMS. Prudential indicator compliance is reported as part of the monitoring reports on treasury management performance presented to the Joint Audit and Standards Committee.



Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

DRAFT INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER**

A REPORT ON

INTEGRITY

Draft Report Issued: 6th November 2013
Final Report Issued:

1.0 INTRODUCTION

- 1.1 In October 2013 Internal Audit undertook a review of integrity within Cumbria Office of the Police & Crime Commissioner. The review was carried out in accordance with the Internal Audit Plan 2013/14.
- 1.2 The review was requested following key integrity issues raised nationally by Her Majesty’s Inspectorate of Constabulary (HMIC) in their report ‘Without Fear or Favour’ issued in 2011, and subsequent update report in 2012. The reports highlighted the need for the service to further strengthen integrity and ‘give the public cause to have high levels of confidence that the police will act without fear or favour in delivering a responsive and accountable service’.
- 1.3 Integrity issues have had a high profile in the media in recent years. Her Majesty’s Inspectorate of Constabulary (HMIC) have also raised police integrity and corruption concerns and highlighted specific areas of unease such as corporate credit cards, gifts and gratuities and business interests and secondary occupations. Cumbria Office of the Police & Crime Commissioner acknowledges that weak controls in these areas can leave the organisation vulnerable to significant risks and undermine public confidence in the integrity of the service.
- 1.4 The main contact for this review was the Governance and Business Services Manager.

2.0 SCOPE

- 2.1 The following table identifies the areas reviewed by Internal Audit and the associated risks for each individual area:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Corporate Credit Cards	<ul style="list-style-type: none"> • Misuse of corporate credit cards. • Maximum value is not derived from their use. • Inadequate supervision / review.
Gifts & Hospitality	<ul style="list-style-type: none"> • Lack of clarity around the acceptance of gifts & hospitality. • Lack of transparency, inadequate recording systems. • Inadequate supervision / review.
Contracting & Secondary Employment	<ul style="list-style-type: none"> • Conflicts of interest, tax and other legal implications of police officers and staff having second jobs or other business interests.

3.0 SUMMARY

3.1 EVALUATION

3.1.1 The evaluation of controls is based on testing carried out at the time of the review. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.

3.1.2 The overall evaluation for the controls operated in this area is **satisfactory**.

3.2 CONCLUSION

3.2.1 Policies and procedures are in place covering the acceptance of gifts and hospitality and declaration of business interests and secondary occupations to provide safeguards, and ensure clarity in these areas of concern. A number of recommendations have been made to enhance existing controls in these areas and further secure the trust and confidence of the public in the integrity and impartiality of the organisation.

3.1 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
- Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
- Grade 3: Minor recommendation made to improve the system under review.

3.3.2 Recommendations are included to this report as Appendix A – Summary of Recommendations and Action Plan (for the attention of Cumbria Office of the Police and Crime Commissioner).

4 DETAILED FINDINGS & RECOMMENDATIONS

4.1 Corporate Credit Cards

4.1.1 Corporate credit cards are not currently utilised by the Cumbria Office of the Police & Crime Commissioner.

4.2 Gifts & Hospitality

4.2.1 Cumbria Office of the Police and Crime Commissioner (COPCC) sets out its expectations regarding the acceptance of gifts and hospitality in two documents:

- The Anti-Fraud and Corruption Policy and Plan within section H of Financial Regulations 2012-13.
- Police & Crime Commissioner and Deputy Police & Crime Commissioner Code of Conduct

Policies are to be reviewed as part of 'Stage 2' transfer process arrangements.

- 4.2.2 The Anti-Fraud and Corruption Policy makes it clear that all individuals, and organisations associated with the Force and the OPCC are expected to act with integrity. Particular mention is made of the requirement for any offers of gifts or hospitality related to the performance of their duties to be declared in a public register. The Police & Crime Commissioner and Deputy Police & Crime Commissioner Code of Conduct requires gifts and hospitality with an estimated value of at least £25 to be declared.
- 4.2.3 The Anti-Fraud and Corruption Policy and Code of Conduct do not provide any clarity to staff on the types of offers that are considered acceptable and those that are considered unacceptable. Given that policies are due to be reviewed this would be an opportune time to produce more detailed guidance in this area and help staff to better determine the boundaries of acceptability of any gift, gratuity or hospitality. Cumbria Constabulary's updated Anti-Fraud & Corruption Policy and Procedures (2013) based on ACPO guidance would provide useful reference material in this field (**see R1**).
- 4.2.4 Policies require that offers should be the subject of a declaration in a register. In accordance with best practice electronic gifts and hospitality registers have been developed, one register for the Police & Crime Commissioner and a separate register for Cumbria Office of the Police & Crime Commissioner staff. Both registers record offers whether they have been accepted or declined to ensure transparency and better demonstrate integrity.
- 4.2.4 Consistent information is required on all offers made including the financial value, description of the offer and reason for the offer. The register includes a field to record other comments against each offer. In many instances this field is used to provide rationale for accepting or declining offers, but not consistently. The rationale behind accepting and declining offers is a key element in demonstrating a common sense approach to the boundaries of acceptability. Consideration should be given to including a mandatory rationale field within the registers (**see R2**).
- 4.2.5 A review of the registers showed 24 entries in the Commissioner's register since inception in November 2012, 18 of which had been accepted (75%). There were only 3 entries in the staff register, 2 of which had been accepted. Guidance regarding the types of offers to accept and decline has been followed. The majority of offers accepted relate to speaking engagements inclusive of lunch / dinner valued between £25 and £50. Offers declined include high value offers and those from existing / potential contractors and entities unrelated to Office of Police & Crime Commissioner business.
- 4.2.6 To date there has been no cross checking to procurement / contract records as part of the scrutiny process because direct involvement in procurement within the Office of the Police & Crime Commissioner has been limited. There is the potential for both staffing numbers and procurement involvement to increase following the 'Stage 2' transfer process. In which case there would be a need to develop a mechanism for cross checking between gifts and hospitality register entries, business interests and existing / potential providers to ensure effective scrutiny and governance of the register. This will be particularly important for those staff who become involved in procurement activity and decisions (**see R3**).

4.2.7 Both registers are published on the Cumbria Office of the Police & Crime Commissioner’s website monthly for public scrutiny. The latest version of the Commissioner’s register covers the period to July 2013 and the staff register to October 2013. This level of transparency is good practice in demonstrating high standards of professional behaviour, openness and integrity.

4.2.8 The staff register is scrutinised on a monthly basis by the Chief Executive. It was last reviewed on the 13th September 2013 (two weeks before the audit review) and this is clearly recorded on the register. However it should be noted that two of the three entries in the register relate to offers made to the Chief Executive. There is no evidence of review in respect of the Commissioner’s register. The Anti-Fraud and Corruption Policy and Code of Conduct do not specify responsibilities for supervisory monitoring and challenge of register entries, including peer review arrangements for senior staff. There is a need for supervisors / peers to actively monitor and question offers received, provide advice and seek clarification where necessary. This supervisory activity should be clearly evidenced (**see R4**).

4.2.9

RECOMMENDATIONS		
Ref	Recommendation	Grade
R1	Staff should be provided with a framework to determine the boundaries of acceptability regarding the receipt of gifts, gratuities and hospitality.	2
R2	Consideration should be given to including a mandatory rationale field within the registers.	3
R3	Mechanisms for routinely cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be explored.	2
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be clearly evidenced.	2

4.3 Contracting & Secondary Employment

4.3.1 Cumbria Office of the Police & Crime Commissioner has adopted an Anti-Fraud and Corruption Policy and Code of Conduct for the Police & Crime Commissioner and Deputy Police & Crime Commissioner covering areas such as standards of conduct and conflicting business interests. Staff are notified of the policies as part of their induction process, reminders about declaring business interests / secondary occupations are issued on a quarterly basis by the Governance & Business Services Manager and the topic is raised annually at the team meeting. The Anti-Fraud and Corruption Policy is currently under review.

4.3.2 In accordance with policy, all staff within the Cumbria Office of the Police & Crime Commissioner are required to complete ‘Staff Register of Interests’ forms on at least an annual basis, including nil returns. The forms must be signed by the member of staff and their line manager before being passed to the Chief Executive for review and retention. Similarly the Police & Crime Commissioner and Deputy Police & Crime

Commissioner are required to complete a 'Notification of Disclosable Interests' form for the monitoring officer.

- 4.3.3 The declaration forms are designed to capture information regarding all possible business interests and secondary employments for disclosure purposes. There is no indication that the forms are part of an application process to register business interests or request approval for additional occupations. The forms do not indicate that any checks are undertaken for instance with procurement and there is no suggestion that any consideration is given as to whether the type of interest or additional occupation is compatible with the individual's role in the Cumbria Office of the Police & Crime Commissioner and the ethos and values of the organisation **(see R5)**.
- 4.3.4 Whilst the declaration forms require signatures and dates they do not clearly specify what the staff members and line managers are signing for. Given that the Anti Fraud and Corruption Policy is currently under review this would be an opportune time to revise the declaration form and prepare supporting procedures to tighten controls in this area. For instance staff signatures could be required to indicate their understanding and acceptance of the policy and their agreement to promptly report any changes to declarations. Furthermore line manager signatures could be used to confirm full consideration and support for (or otherwise) the declaration made. Cumbria Constabulary's updated Business Interest and Additional Occupations Policy and Procedures (2013) based on ACPO guidance would provide useful reference material in this field **(see R6)**.
- 4.3.5 Declaration forms are retained electronically for reference and quarterly review by the Chief Executive. The information is not used to populate a central register of business interests and secondary occupations for publication on the Cumbria Office of the Police & Crime Commissioner's website. Instead the current declaration forms are published. Tests show that the Chief Executive and Deputy Chief Executive's declaration forms are available on the website for public scrutiny. There remains a need to upload the Police & Crime Commissioner's current declaration to the PCC website **(see R7)**.
- 4.3.6 Tests confirm that current disclosures are on file for all staff of the Cumbria Office of the Police & Crime Commissioner. Two points are noted in respect of these disclosures: one disclosure has not been signed and dated by the member of staff and three disclosures have not been signed by a line manager. There is a need to ensure declaration forms are signed and dated accordingly.
- 4.3.7 The declaration forms require individuals to disclose interests that may give rise to suspicion of favouritism or breach one of the seven principles of public life established by the Nolan Committee. This puts the onus on the individual completing the declaration to judge whether or not to disclose a business interest or secondary occupation. Good practice would be for individuals to disclose all business interests and secondary occupations for consideration to ensure fairness, consistency and transparency **(see R8)**.

4.3.8

RECOMMENDATIONS		
Ref	Recommendation	Grade
R5	Declarations should be subject to a full consideration and approval system. Individuals should be required to disclose all business interests and additional occupations for consideration.	2
R6	Declaration forms should clearly state what individuals and their line managers are signing for.	2
R7	The Police & Crime Commissioner's current declaration form should be uploaded to the OPCC website.	2
R8	The review of the Anti-Fraud & Corruption Policy should cover procedures and guidance regarding acceptable business interests and secondary occupations, supervisory consideration of disclosures and the level of information to disclose.	2

**CUMBRIA OFFICE OF THE POLICE & CRIME COMMISSIONER
INTEGRITY**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN (J310019)
(FOR THE ATTENTION OF CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER)**

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Staff should be provided with a framework to determine the boundaries of acceptability regarding the receipt of gifts, gratuities and hospitality.	2	Chief Finance Officer / Partnership & Strategy Manager	OPCC policies will be reviewed and updated for stage two transfer to take effect from April 2014 and this will be included within that work	1 st April 2014
R2	Consideration should be given to including a mandatory rationale field within the registers.	2	Governance & Business Manager	The form has been amended and staff advised that this field needs to be completed for every entry	5 November 2013
R3	Mechanisms for routinely cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be explored.	2	Chief Finance Officer	Process to be developed following the finalisation of policies and procedures for the Stage 2 process	1 st April 2014
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be clearly evidenced.	2	Governance & Business Manager	Chief Executive currently reviews the registers on a monthly basis. Chief Finance Officer to review any entries relating to the Chief Executive. Responsibilities will be documented in the revised policy and procedure.	11 November 2013 1 st April 2014
R5	Declarations should be subject to a full consideration and approval system.	2	Governance & Business Manager	The Register of Interests Form will be reviewed and updated as part of an annual process	March 2014

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R6	Individuals should be required to disclose all business interests and additional occupations for consideration.				
R6	Declaration forms should clearly state what individuals and their line managers are signing for.	2	Governance & Business Manager	Form to be updated with a declaration notice	March 2014
R7	The Police & Crime Commissioner's current declaration form should be uploaded to the OPCC website.	2	Governance & Business Manager	This has been done. Due to an error the wrong form was attached to the link on the website.	5 November 2013
R8	The review of the Anti-Fraud & Corruption Policy should cover procedures and guidance regarding acceptable business interests and secondary occupations, supervisory consideration of disclosures and the level of information to disclose.	2	Chief Finance Officer / Partnership & Strategy Manager	Our current policy will be reviewed as part of the arrangements for stage 2 transfer with plans to take the policy with other governance documents to the audit and standards committee for pre-scrutiny in February and approval by the PCC in March so they come into effect on 1 st April in line with the staff transfer.	1 April 2014

ACTION PLAN COMPLETED BY:	<i>Joanne Head</i>	DATE:	6.11.2013
ACTION PLAN APPROVED BY	<i>Ruth Hunter</i>	DATE:	18.11.2013



Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER**

A REPORT ON

INTEGRITY

Draft Report Issued: 6th November 2013
Final Report Issued: 19th November 2013

1.0 INTRODUCTION

- 1.1 In October 2013 Internal Audit undertook a review of integrity within Cumbria Office of the Police & Crime Commissioner. The review was carried out in accordance with the Internal Audit Plan 2013/14.
- 1.2 The review was requested following key integrity issues raised nationally by Her Majesty’s Inspectorate of Constabulary (HMIC) in their report ‘Without Fear or Favour’ issued in 2011, and subsequent update report in 2012. The reports highlighted the need for the service to further strengthen integrity and ‘give the public cause to have high levels of confidence that the police will act without fear or favour in delivering a responsive and accountable service’.
- 1.3 Integrity issues have had a high profile in the media in recent years. Her Majesty’s Inspectorate of Constabulary (HMIC) have also raised police integrity and corruption concerns and highlighted specific areas of unease such as corporate credit cards, gifts and gratuities and business interests and secondary occupations. Cumbria Office of the Police & Crime Commissioner acknowledges that weak controls in these areas can leave the organisation vulnerable to significant risks and undermine public confidence in the integrity of the service.
- 1.4 The main contact for this review was the Governance and Business Services Manager.

2.0 SCOPE

- 2.1 The following table identifies the areas reviewed by Internal Audit and the associated risks for each individual area:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Corporate Credit Cards	<ul style="list-style-type: none"> • Misuse of corporate credit cards. • Maximum value is not derived from their use. • Inadequate supervision / review.
Gifts & Hospitalities	<ul style="list-style-type: none"> • Lack of clarity around the acceptance of gifts & hospitality. • Lack of transparency, inadequate recording systems. • Inadequate supervision / review.
Contracting & Secondary Employment	<ul style="list-style-type: none"> • Conflicts of interest, tax and other legal implications of police officers and staff having second jobs or other business interests.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 The overall evaluation for the controls operated in this area is **satisfactory**.

3.2 CONCLUSION

- 3.2.1 Policies and procedures are in place covering the acceptance of gifts and hospitality and declaration of business interests and secondary occupations to provide safeguards, and ensure clarity in these areas of concern. A number of recommendations have been made to enhance existing controls in these areas and further secure the trust and confidence of the public in the integrity and impartiality of the organisation.

3.1 RECOMMENDATIONS

- 3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
 - Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
 - Grade 3: Minor recommendation made to improve the system under review.
- 3.3.2 Recommendations are included to this report as Appendix A – Summary of Recommendations and Action Plan (for the attention of Cumbria Office of the Police and Crime Commissioner).

4 DETAILED FINDINGS & RECOMMENDATIONS

4.1 Corporate Credit Cards

- 4.1.1 Corporate credit cards are not currently utilised by the Cumbria Office of the Police & Crime Commissioner.

4.2 Gifts & Hospitality

- 4.2.1 Cumbria Office of the Police and Crime Commissioner (COPCC) sets out its expectations regarding the acceptance of gifts and hospitality in two documents:

- The Anti-Fraud and Corruption Policy and Plan within section H of Financial Regulations 2012-13.
- Police & Crime Commissioner and Deputy Police & Crime Commissioner Code of Conduct

Policies are to be reviewed as part of 'Stage 2' transfer process arrangements.

- 4.2.2 The Anti-Fraud and Corruption Policy makes it clear that all individuals, and organisations associated with the Force and the OPCC are expected to act with integrity. Particular mention is made of the requirement for any offers of gifts or hospitality related to the performance of their duties to be declared in a public register. The Police & Crime Commissioner and Deputy Police & Crime Commissioner Code of Conduct requires gifts and hospitality with an estimated value of at least £25 to be declared.
- 4.2.3 The Anti-Fraud and Corruption Policy and Code of Conduct do not provide any clarity to staff on the types of offers that are considered acceptable and those that are considered unacceptable. Given that policies are due to be reviewed this would be an opportune time to produce more detailed guidance in this area and help staff to better determine the boundaries of acceptability of any gift, gratuity or hospitality. Cumbria Constabulary's updated Anti-Fraud & Corruption Policy and Procedures (2013) based on ACPO guidance would provide useful reference material in this field (**see R1**).
- 4.2.4 Policies require that offers should be the subject of a declaration in a register. In accordance with best practice electronic gifts and hospitality registers have been developed, one register for the Police & Crime Commissioner and a separate register for Cumbria Office of the Police & Crime Commissioner staff. Both registers record offers whether they have been accepted or declined to ensure transparency and better demonstrate integrity.
- 4.2.4 Consistent information is required on all offers made including the financial value, description of the offer and reason for the offer. The register includes a field to record other comments against each offer. In many instances this field is used to provide rationale for accepting or declining offers, but not consistently. The rationale behind accepting and declining offers is a key element in demonstrating a common sense approach to the boundaries of acceptability. Consideration should be given to including a mandatory rationale field within the registers (**see R2**).
- 4.2.5 A review of the registers showed 24 entries in the Commissioner's register since inception in November 2012, 18 of which had been accepted (75%). There were only 3 entries in the staff register, 2 of which had been accepted. Guidance regarding the types of offers to accept and decline has been followed. The majority of offers accepted relate to speaking engagements inclusive of lunch / dinner valued between £25 and £50. Offers declined include high value offers and those from existing / potential contractors and entities unrelated to Office of Police & Crime Commissioner business.
- 4.2.6 To date there has been no cross checking to procurement / contract records as part of the scrutiny process because direct involvement in procurement within the Office of the Police & Crime Commissioner has been limited. There is the potential for both staffing numbers and procurement involvement to increase following the 'Stage 2'

transfer process. In which case there would be a need to develop a mechanism for cross checking between gifts and hospitality register entries, business interests and existing / potential providers to ensure effective scrutiny and governance of the register. This will be particularly important for those staff who become involved in procurement activity and decisions **(see R3)**.

4.2.7 Both registers are published on the Cumbria Office of the Police & Crime Commissioner’s website monthly for public scrutiny. The latest version of the Commissioner’s register covers the period to July 2013 and the staff register to October 2013. This level of transparency is good practice in demonstrating high standards of professional behaviour, openness and integrity.

4.2.8 The staff register is scrutinised on a monthly basis by the Chief Executive. It was last reviewed on the 13th September 2013 (two weeks before the audit review) and this is clearly recorded on the register. However it should be noted that two of the three entries in the register relate to offers made to the Chief Executive. There is no evidence of review in respect of the Commissioner’s register. The Anti-Fraud and Corruption Policy and Code of Conduct do not specify responsibilities for supervisory monitoring and challenge of register entries, including peer review arrangements for senior staff. There is a need for supervisors / peers to actively monitor and question offers received, provide advice and seek clarification where necessary. This supervisory activity should be clearly evidenced **(see R4)**.

4.2.9

RECOMMENDATIONS		
Ref	Recommendation	Grade
R1	Staff should be provided with a framework to determine the boundaries of acceptability regarding the receipt of gifts, gratuities and hospitality.	2
R2	Consideration should be given to including a mandatory rationale field within the registers.	3
R3	Mechanisms for routinely cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be explored.	2
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be clearly evidenced.	2

4.3 Contracting & Secondary Employment

4.3.1 Cumbria Office of the Police & Crime Commissioner has adopted an Anti-Fraud and Corruption Policy and Code of Conduct for the Police & Crime Commissioner and Deputy Police & Crime Commissioner covering areas such as standards of conduct and conflicting business interests. Staff are notified of the policies as part of their induction process, reminders about declaring business interests / secondary occupations are issued on a quarterly basis by the Governance & Business Services Manager and the topic is raised annually at the team meeting. The Anti-Fraud and Corruption Policy is currently under review.

- 4.3.2 In accordance with policy, all staff within the Cumbria Office of the Police & Crime Commissioner are required to complete 'Staff Register of Interests' forms on at least an annual basis, including nil returns. The forms must be signed by the member of staff and their line manager before being passed to the Chief Executive for review and retention. Similarly the Police & Crime Commissioner and Deputy Police & Crime Commissioner are required to complete a 'Notification of Disclosable Interests' form for the monitoring officer.
- 4.3.3 The declaration forms are designed to capture information regarding all possible business interests and secondary employments for disclosure purposes. There is no indication that the forms are part of an application process to register business interests or request approval for additional occupations. The forms do not indicate that any checks are undertaken for instance with procurement and there is no suggestion that any consideration is given as to whether the type of interest or additional occupation is compatible with the individual's role in the Cumbria Office of the Police & Crime Commissioner and the ethos and values of the organisation **(see R5)**.
- 4.3.4 Whilst the declaration forms require signatures and dates they do not clearly specify what the staff members and line managers are signing for. Given that the Anti Fraud and Corruption Policy is currently under review this would be an opportune time to revise the declaration form and prepare supporting procedures to tighten controls in this area. For instance staff signatures could be required to indicate their understanding and acceptance of the policy and their agreement to promptly report any changes to declarations. Furthermore line manager signatures could be used to confirm full consideration and support for (or otherwise) the declaration made. Cumbria Constabulary's updated Business Interest and Additional Occupations Policy and Procedures (2013) based on ACPO guidance would provide useful reference material in this field **(see R6)**.
- 4.3.5 Declaration forms are retained electronically for reference and quarterly review by the Chief Executive. The information is not used to populate a central register of business interests and secondary occupations for publication on the Cumbria Office of the Police & Crime Commissioner's website. Instead the current declaration forms are published. Tests show that the Chief Executive and Deputy Chief Executive's declaration forms are available on the website for public scrutiny. There remains a need to upload the Police & Crime Commissioner's current declaration to the PCC website **(see R7)**.
- 4.3.6 Tests confirm that current disclosures are on file for all staff of the Cumbria Office of the Police & Crime Commissioner. Two points are noted in respect of these disclosures: one disclosure has not been signed and dated by the member of staff and three disclosures have not been signed by a line manager. There is a need to ensure declaration forms are signed and dated accordingly.
- 4.3.7 The declaration forms require individuals to disclose interests that may give rise to suspicion of favouritism or breach one of the seven principles of public life established by the Nolan Committee. This puts the onus on the individual completing the declaration to judge whether or not to disclose a business interest or secondary occupation. Good practice would be for individuals to disclose all business interests and secondary occupations for consideration to ensure fairness, consistency and transparency **(see R8)**.

4.3.8

RECOMMENDATIONS		
Ref	Recommendation	Grade
R5	Declarations should be subject to a full consideration and approval system. Individuals should be required to disclose all business interests and additional occupations for consideration.	2
R6	Declaration forms should clearly state what individuals and their line managers are signing for.	2
R7	The Police & Crime Commissioner's current declaration form should be uploaded to the OPCC website.	2
R8	The review of the Anti-Fraud & Corruption Policy should cover procedures and guidance regarding acceptable business interests and secondary occupations, supervisory consideration of disclosures and the level of information to disclose.	2

**CUMBRIA OFFICE OF THE POLICE & CRIME COMMISSIONER
INTEGRITY**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN (J310019)
(FOR THE ATTENTION OF CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER)**

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Staff should be provided with a framework to determine the boundaries of acceptability regarding the receipt of gifts, gratuities and hospitality.	2	Chief Finance Officer / Partnership & Strategy Manager	OPCC policies will be reviewed and updated for stage two transfer to take effect from April 2014 and this will be included within that work.	1 st April 2014
R2	Consideration should be given to including a mandatory rationale field within the registers.	2	Governance & Business Manager	The form has been amended and staff advised that this field needs to be completed for every entry.	5 November 2013
R3	Mechanisms for routinely cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be explored.	2	Chief Finance Officer	Process to be developed following the finalisation of policies and procedures for the Stage 2 process.	1 st April 2014
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be clearly evidenced.	2	Governance & Business Manager	Chief Executive currently reviews the registers on a monthly basis. Chief Finance Officer to review any entries relating to the Chief Executive. Responsibilities will be documented in the revised policy and procedure.	11 November 2013 1 st April 2014

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)	
R5	Declarations should be subject to a full consideration and approval system. Individuals should be required to disclose all business interests and additional occupations for consideration.	2	Governance & Business Manager	The Register of Interests Form will be reviewed and updated as part of an annual process.	March 2014	
R6	Declaration forms should clearly state what individuals and their line managers are signing for.	2	Governance & Business Manager	Form to be updated with a declaration notice.	March 2014	
R7	The Police & Crime Commissioner's current declaration form should be uploaded to the OPCC website.	2	Governance & Business Manager	This has been done. Due to an error the wrong form was attached to the link on the website.	5 November 2013	
R8	The review of the Anti-Fraud & Corruption Policy should cover procedures and guidance regarding acceptable business interests and secondary occupations, supervisory consideration of disclosures and the level of information to disclose.	2	Chief Finance Officer / Partnership & Strategy Manager	Our current policy will be reviewed as part of the arrangements for stage 2 transfer with plans to take the policy with other governance documents to the audit and standards committee for pre-scrutiny in February and approval by the PCC in March so they come into effect on 1 st April in line with the staff transfer.	1 April 2014	
ACTION PLAN COMPLETED BY:		<i>Joanne Head</i>			DATE:	6.11.2013
ACTION PLAN APPROVED BY		<i>Ruth Hunter</i>			DATE:	18.11.2013



Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER**

A REPORT ON

Cumbria Constabulary: Integrity

Draft Report Issued: 6th November 2013
Final Report Issued: 22 November 2013

1.0 INTRODUCTION

- 1.1 In October 2013 Internal Audit undertook a review of integrity within Cumbria Constabulary. The review was carried out in accordance with the Internal Audit Plan 2013/14.
- 1.2 The review was requested following key integrity issues raised nationally by Her Majesty’s Inspectorate of Constabulary (HMIC) in their report ‘Without Fear or Favour’ issued in 2011, and subsequent update report in 2012. The reports highlighted the need for the service to further strengthen integrity and ‘give the public cause to have high levels of confidence that the police will act without fear or favour in delivering a responsive and accountable service’.
- 1.3 Police integrity issues have had a high profile in the media in recent years. Her Majesty’s Inspectorate of Constabulary (HMIC) have also raised police integrity and corruption concerns and highlighted specific areas of unease such as corporate credit cards, gifts and gratuities and business interests and secondary occupations. Cumbria Constabulary has clearly acknowledged that weak controls in these areas can leave the force vulnerable to significant risks and undermine public confidence in the integrity of the service.
- 1.4 The contacts for this review were:-
- Cath Thundercloud - Detective Superintendent, Head of Professional Standards
 - Ann Dobinson – Head of Central Services
 - Emma Cowper – Employee Services Team Leader
 - Allison Lee – Intelligence Analyst
 - Jo Bellas – Systems Auditor

2.0 SCOPE

- 2.1 The following table identified the areas reviewed by Internal Audit and the associated risks for each individual area:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Corporate Credit Cards	<ul style="list-style-type: none"> • Misuse of corporate credit cards. • Maximum value is not derived from their use. • Inadequate supervision / review.
Gifts & Hospitality	<ul style="list-style-type: none"> • Lack of clarity around the acceptance of gifts & hospitality. • Lack of transparency, inadequate recording systems. • Inadequate supervision / review.
Contracting & Secondary Employment	<ul style="list-style-type: none"> • Conflicts of interest, tax and other legal implications of police officers and staff having second jobs or other business interests.

- 2.2 The review also considered the findings and recommendations of the South Wales Police investigation into the Temporary Chief Constable's conduct matters.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 The overall evaluation for the controls operated in this area is **satisfactory**.

3.2 CONCLUSION

- 3.2.1 The Constabulary has already taken steps to address police integrity and corruption concerns by establishing clear boundaries, checking mechanisms, governance and oversight in the highlighted areas. This audit has highlighted many examples of good practice such as improved clarity around the acceptance of gifts and hospitality, the close scrutiny of corporate credit card expenditure since April 2013 and updated policies.
- 3.2.2 There is scope to improve existing processes, notably the need to establish a routine mechanism for cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations to ensure processes are not open to corruption. A number of other recommendations are made to enhance existing controls.

3.1 RECOMMENDATIONS

- 3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
 - Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
 - Grade 3: Minor recommendation made to improve the system under review.
- 3.3.2 Recommendations are included to this report as Appendix A – Summary of Recommendations and Action Plan (for the attention of Cumbria Constabulary).

4 DETAILED FINDINGS & RECOMMENDATIONS

4.1 Corporate Credit Cards

4.1.1 Twelve corporate credit cards are currently issued to police and staff officers within Cumbria Constabulary. An up to date list is maintained by the Head of Central Services showing card numbers and relevant details such as card and transaction limits and expiry dates. There are three types of corporate credit card in circulation:

- General (procedures updated April 2012)
- Business Continuity Planning (procedures updated April 2012)
- Chief Officers & Staff Officers (procedures effective from March 2013)

Procedures and spending category blocks vary according to card type. Card holders are required to sign corporate credit card acceptance forms when they collect their cards. The signature indicates receipt of the card and responsibility for the security, use and maintenance of the card. It also signals receipt of a copy of the Corporate Card Procedures and adherence to them. Tests confirm that card holders sign written agreements and copies are retained.

4.1.2 The Corporate Card Procedures provide information and clarity in a number of areas including security requirements, appropriate types of expenditure, supporting documentation / records and monitoring arrangements. They also specify the posts that can hold each type of card. Audit checks on the security of a sample of three corporate credit cards confirmed that cards are held securely, in accordance with procedure.

4.1.3 The Corporate Card Procedures require that card holders maintain a payment record of card expenditure to support each monthly card statement and attach relevant VAT receipts. The card holder is required to reconcile their payment record to their card statement each month and then sign the payment record to confirm that the transactions were purchased and necessarily incurred for the benefit of the Constabulary. Payment records then require scrutiny and a signature of authorisation at an appropriate level, as specified in the relevant Corporate Card Procedures before being passed to Central Service Department for payment.

4.1.4 In total there has been almost £13k of corporate credit card expenditure in the first five months of 2013/14. Audit testing was undertaken on a sample of monthly credit card payment records / statements submitted for payment during the current financial year. Sample selection ensured coverage of card types, months of the year and values.

4.1.5 Tests showed that the majority of corporate credit card expenditure is on attendance at courses and conference and accommodation for these events. Other expenditure includes road toll charges, parking fees, copy birth certificates, books, subscriptions, software and small items of operational equipment. Overall this type of expenditure is appropriate and in accordance with procedure. Payment records are completed correctly, reconciled to statements, signed and authorised properly and in most cases VAT invoices / receipts are attached so that VAT can be reclaimed by the constabulary.

4.1.6 As part of their investigation into the Temporary Chief Constable’s conduct matters the South Wales Police recommended that Cumbria Constabulary revisit the Corporate Credit Card Procedures for Chief Officers & Staff Officers and update a number of aspects. These include:

- a) To provide greater clarity regarding items which may or may not be purchased,
- b) To stipulate that alcoholic purchases must be reimbursed by card holders.
- c) To specify that Chief Constable expenditure must be authorised by the Police & Crime Commissioner.

Audit tests show that recommendations a and c were actioned prior to the publication of the South Wales Police report. The recommendation regarding alcoholic purchases remains outstanding **(R1)**.

4.1.7 The corporate credit card payment records and monthly statements submitted to the Central Services Department for payment are subject to further scrutiny by the Head of Central Services. There was evidence of this scrutiny process on payment records where, for instance, additional information was sought to clarify / justify specific purchases and reminders were issued to card holders regarding the requirement to obtain and attach VAT receipts.

RECOMMENDATIONS		
Ref	Recommendation	Grade
R1	The outstanding recommendation of Chief Constable Vaughan, South Wales Police regarding corporate credit card alcoholic purchases should be fully addressed.	2

4.2 Gifts & Hospitality

4.2.1 Cumbria Office of the Police and Crime Commissioner (COPCC) and Cumbria Constabulary have a joint Anti-Fraud and Corruption Policy and Supporting Procedure that covers offers and acceptance of gifts, gratuities and hospitality. Following the HMIC Integrity Review a new version of the policy has been drafted for approval and will replace the original policy that was agreed in 2007. The Policy is owned by the Director of Professional Standards Department and is administered by the Anti Corruption Unit.

4.2.2 The Anti-Fraud and Corruption Policy applies to all police officers, special constables, police staff, members and employees of the COPCC, volunteers, agency staff and third parties with whom the COPCC and Constabulary have dealings.

4.2.3 The updated procedures regarding gifts, gratuities and hospitality closely reflect Association of Chief Police Officer (ACPO) guidelines on this subject area published in 2012. They attempt to provide sufficient clarity to staff on what is acceptable and what is not acceptable. Procedures require that offers should be the subject of a declaration in the force register whether they have been accepted or declined. In accordance with best practice an electronic force wide gifts and hospitality register has been developed to replace the series of manual and spreadsheet registers that

were previously in use across the force. This improves completeness and consistency in record keeping. The South Wales Police recommended the publication of the Register of Gifts and Hospitality on the force intranet as part of their report.

- 4.2.4 A 'Gratuities Declaration Form' can be accessed via a new Acceptance of Gifts and Gratuities intranet page alongside advice on how to complete the form. The form automatically updates a gratuities database (register) maintained by the Professional Standards Department. The Force Newsletter and Professional Standards Department Newsletter have been used on different occasions to publicise the updated Anti Fraud and Corruption Policy and Procedure and highlight the electronic recording system. The Professional Standards Department also has ongoing input into training programmes such as courses for new recruits and Territorial Policing Area training days covering various aspects of standards, values and integrity.
- 4.2.5 The Gratuities Declaration Form captures comprehensive information on offers made including the financial value and rationale for accepting or declining the offer. Many of the fields on the form are mandatory but the rationale field is not. This is a key field in demonstrating a common sense approach to the boundaries of acceptability and consideration should be given to making it a mandatory field. When a form is submitted for processing a notification is automatically sent to the member of staff's supervisor for information and consideration of the appropriateness of the offer. The Intelligence Analysts (PSD) reported that requests have been submitted to the Professional Standards Department to amend entries (e.g. add rationale), decline previously accepted offers and provide monitoring reports as part of this review process.
- 4.2.6 A review of the register showed 181 entries since inception in August 2012, 97 of which were made by Senior Police Officers. In total 35% of offers were declined. Overall guidance regarding the types of offers to accept and decline has been followed. For instance gifts of chocolates, flowers, books and invitations to community events offering meals and refreshments have been accepted whilst offers from existing or potential contractors have been declined. The only points to raise are as follows:
- There are two retrospective register entries where the offers were made in March and October 2012 but not recorded in the register until September 2013. There is a requirement to declare any gifts or gratuities offered to the Professional Standards Department within 14 days of the offer. We are pleased to note that the entries were added to the register retrospectively as recommended by the South Wales Police as part of their report. The offers had been made to the Temporary Chief Constable at that time.
 - There are several entries where bottles of alcoholic beverages have been accepted as gifts. Procedures state that alcoholic gifts should not be accepted. It is understood that these bottles are generally donated to Police Federation raffles but this cannot be determined from register entries. There is a need to make this explicit within the register as confirmation and to demonstrate high standards of professional behaviour and transparency. **(R2)**
- 4.2.7 The register is scrutinised on a monthly basis by the Intelligence Analyst (PSD) whereby trends, issues, repeat officers, repeat organisations, significant offers etc. are reviewed. To date cross checking with procurement / contract records has been limited and this is acknowledged by the Professional Standards Department. These

sorts of checks are often undertaken as part of Anti Corruption Unit investigations into the conduct of officers and staff but not on a routine basis. At the time of the audit review meetings were underway to establish links with the Procurement Unit and develop mechanisms for cross checking between register entries, business interests and existing / potential providers. Such checks will protect against corrupt practices and improper relationships. This was also recommended by the South Wales Police as part of their investigation. The outcome of the monthly review process feeds into the Director of Professional Standards Department's Reputational Document for senior officer review. **(R3)**

4.2.8 A summarised version of Senior Officer Gifts & Hospitality register is published on the Constabulary website periodically for public scrutiny. The latest version covers the period April to September 2013. This level of transparency is good practice in demonstrating high standards of professional behaviour and integrity.

4.2.9 The Anti-Fraud and Corruption Policy and Supporting Procedure do not specify responsibilities for supervisory monitoring and challenge of register entries, including peer review arrangements for senior officers. There was little evidence of advice being sought from supervisors regarding offers and there was no evidence of challenge. There is a need for supervisors to actively monitor and question offers received, provide advice and seek clarification from the Professional Standards Department. This supervisory activity should be properly evidenced. **(R4)**

4.2.10

RECOMMENDATIONS		
Ref	Recommendation	Grade
R2	Further clarity is needed regarding the acceptance of alcoholic beverages as gifts and specific recording practices for this.	2
R3	Mechanisms for cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be fully documented with responsibilities clearly defined.	2
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be properly evidenced.	2

4.3 Contracting & Secondary Employment

4.3.1 Cumbria Constabulary updated its Business Interest and Additional Occupations Policy and Supporting Procedures in 2012 following the publication of new ACPO guidance in this area. The Policy is owned by the Director of Professional Standards Department and applies to police officers and staff. Responsibility for the registration of business interests and additional occupations passed to the Professional Standards Department in June 2013.

4.3.2 The Force Newsletter and Professional Standards Department Newsletter have been used on different occasions to publicise the new Business Interest and Additional Occupations Policy and Supporting Procedures and issue guidance material. As mentioned in paragraph 4.2.4 above the Professional Standards Department also has ongoing input into training programmes such as courses for new recruits and

Territorial Policing Area training days covering various aspects of standards, values and integrity. These actions ensure all staff are aware of the policy and their individual responsibilities.

- 4.3.3 The Professional Standards Department has developed an electronic 'Application to Register Business Interest or Additional Occupation' form on the intranet to capture all necessary information to fully consider whether the type of interest or additional occupation is compatible with the individual's service in Cumbria Constabulary. Police officers and staff who have previously registered business interests or additional occupations have been asked to submit new declarations for review.
- 4.3.4 The application form is comprehensive and requires a number of separate signatures of acceptance from applicants in relation to compliance with the policy, submitting tax returns as required to H.M. Inspector of Taxes, reporting changes immediately to the Chief Constable and acknowledging familiarity with the Police Regulations (Police Officers only). The Head of Professional Standards Department commits to reviewing each application (and supporting information) within 28 days of receipt of the fully completed and signed form. Applications require comments and signatures from the applicant's supervisor / line manager, Territorial Policing Area / Department Head and Human Resources. Any performance issues raised and discussed in performance development reviews (PDRs) are taken into account. The Head of Professional Standards then seeks final authorisation from the ACPO appropriate authority.
- 4.3.5 Central Services Department has developed a central electronic register of business interests and secondary occupations. The register is updated as declaration forms pass through all the necessary authorisation channels. Declaration forms are retained electronically for reference.
- 4.3.6 The HMIC Integrity Review highlighted inconsistencies in policies and guidance across forces and significant variations in and between forces in decisions on what constitutes compatible secondary employment. A more unified decision making model was required for consistency and this was provided within the ACPO guidance published in 2012. Cumbria Constabulary's Business Interest and Additional Occupations Policy and Supporting Procedures are based on this guidance establishing 6 key principles for considering applications: impartiality, impact on the force, current performance of the individual, proportionality, equality & diversity and health, safety & wellbeing. These categories are expanded upon in detail within the guidance material.
- 4.3.7 Central Services Department has received 27 applications from Police Staff and 98 declarations from Police Officers since the request went out in August 2013 and 82 are currently awaiting approval / rejection from the ACPO appropriate authority. The Professional Standards Department review each application and perform relevant checks with Procurement, the Force Intelligence Bureau and Estates. The procedures also states that routine checks will be undertaken to ensure that refusals are adhered to.
- 4.3.8 A sample of 15 completed applications was selected for review. Tests showed that application forms pass through the appropriate channels for review and sign off and all applications are approved by the Head of Professional Standards Department and or the ACPO appropriate authority. All applications in the sample examined had been

approved. Twelve applicants had provided additional information on their business interests / secondary occupations such as the nature of the work and hours worked. This additional information is vital to the assessment and approval process.

4.3.9 Overall information and comments on application forms indicate that the six key principles of consideration recommended by ACPO have been adhered to. These principles ensure forces make reasoned and sound judgements in relation to applications for Business Interests and Additional Occupations. The only issue to note relates to the submission of a number of earlier version, hard copy application forms rather than the updated (and more comprehensive) electronic application form. It is understood that hard copies of earlier version application forms remain in circulation and a number were submitted in response to the recent request for a refresh of business interests and additional occupations. There is a need to take old versions of the hard copy application form out of circulation and remind all staff of the electronic form on the force intranet. This will guarantee that comprehensive information is captured to ensure applications receive full consideration and that all necessary signatures of acceptance / authorisation are obtained. **(R5)**

RECOMMENDATIONS		
Ref	Recommendation	Grade
R5	Only the latest version of the Application to Register Secondary Employment or a Business Interest should be available to staff.	2

**CUMBRIA CONSTABULARY
INTEGRITY**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN (J310019)
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	The outstanding recommendation of Chief Constable Vaughan, South Wales Police regarding corporate credit card alcoholic purchases should be fully addressed.	2	Ann Dobinson Head of Central Services	All Corporate Cards procedures to be amended to include instructions that the purchase of alcohol is prohibited.	31 December 2013
R2	Further clarity is needed regarding the acceptance of alcoholic beverages as gifts and specific recording practices for this.	2	D/Supt Cath Thundercloud PSD	The rationale field will be made mandatory with a note added that this is especially pertinent if the gift is alcohol	31 December 2013
R3	Mechanisms for cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be fully documented with responsibilities clearly defined.	2	D/Supt Cath Thundercloud PSD Karen Crump Head of Procurement	Mechanisms for cross checking contract/ procurement records with gifts & hospitality register will be instituted and documented. Mechanisms for cross checking contract/ procurement records with register of business interests/ secondary occupations will be instituted and documented.	31 December 2013 31 December 2013

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be properly evidenced.	2	D/Supt Cath Thundercloud PSD	Enquiries will be made with ICT Department with the intention of the form being submitted through a supervisor stage, rather than as present they are copied in. This will allow review and where appropriate challenge of items received.	31 March 2014
R5	Only the latest version of the Application to Register Secondary Employment or a Business Interest should be available to staff.	2	D/Supt Cath Thundercloud PSD	Only some initial old style forms had been received but access to the old style application form was removed in August 2013.	Completed August 2013

ACTION PLAN COMPLETED BY:	D Supt Cath Thundercloud, PSD, Ann Dobinson, Head of Central Services and Karen Crump, Head of Procurement	DATE:	22/11/2013
ACTION PLAN APPROVED BY	Roger Marshall, Head of Financial Services	DATE:	22/11/2013



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SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER**

A REPORT ON

Appleby School Bus Incident Review of Policies and Procedures

Draft Report Issued: 29th July 2013
Final Report Issued: September 2013

1.0 INTRODUCTION

- 1.1 In July 2013 Internal Audit undertook a review of policies, procedures and standing orders in place nationally, force wide and specifically for Appleby Fair in respect of events such as the school bus incident in Appleby.
- 1.2 The review was undertaken at the request of the Chief Finance Officer / Deputy Chief Executive of the Cumbria Office of the Police and Crime Commissioner to assist in the Police and Crime Commissioner's review of the incident involving a school bus in Appleby during the Appleby Fair. The Constabulary are conducting an internal review of the operational aspects of the incident and this will be made available to the Commissioner.
- 1.3 The contacts for this review were:-
 - Roger Marshall – Head of Financial Services
 - Stuart Edwards – Chief Executive (Cumbria Office of the Police & Crime Commissioner)
 - Ruth Hunter – Chief Finance Officer / Deputy Chief Executive (Cumbria Office of the Police & Crime Commissioner)
 - Jerry Graham – Assistant Chief Constable
 - Helen Harkins – T/Inspector

2.0 SCOPE

- 2.1 Terms of Reference were established for the Police and Crime Commissioner's review of the incident involving a school bus in Appleby with the following two items assigned to Internal Audit for undertaking:-
 1. To review, policies, procedures and any standing orders in place for such instances:
 - National
 - Force wide
 - Specifically for Appleby Fair
 2. To ascertain whether there was a comprehensive plan in place for the policing of Appleby Fair, and to review that Plan.

This was a desk based review of policies and procedures. The application of the policies and procedures to the incident was outside the scope of this review. Internal Audit did not speak to any officers involved in the incident or have sight of the sequence of events. Other policies and procedures may also be applicable to the incident. However, it is not possible to assess their relevance without knowledge of the facts of the incident.

3.0 SUMMARY AND OVERALL CONCLUSION

- 3.1 There are common themes running through all the guidance material applicable to the Appleby school bus incident regarding:

- the adequacy of command and control regimes for incidents,
- the quality of incident management logs with supporting rationale for decisions taken,
- evidence of risk assessment and;
- full consideration of tactical options.

However there are also many acknowledgements of the limitations of policies and procedures in the event of spontaneous incidents with very short timescales. There is always the potential for inexperienced responding officers to have to make rapid decisions, without consultation, to protect public safety.

- 3.2 There remains a need to compare the operational details of the Appleby school bus incident with relevant policies and procedures before any issues can be presented to the Chief Constable for consideration.

Conclusion

- 3.3 Policy development arrangements for the Constabulary could be improved: Constabulary policies reviewed by Internal Audit were version controlled. Review dates were noted on two of the three constabulary policies. However, the two policies containing a review date have not been reviewed in accordance with the date on the policies. One of these documents stated “under review”. It is not clear how long this has been the case.
- 3.4 It is not always clear where the policy was approved. Two of the three policies stated that they had been approved by the Ops Board.
- 3.5 This desk based review has not considered whether the policies have been communicated appropriately and officers trained in their implementation.

4.0 DETAILED FINDINGS & RECOMMENDATIONS

4.1 NATIONAL GUIDANCE

Association of Chief Police Officers of England , Wales and Northern Ireland – Guidance on Public safety Policy (2009)

- 4.1.1 This guidance material was developed to standardise the Police approach to organised events in public places and improve effectiveness and quality of service when dealing with public safety. The guidance makes it clear that the level of Police resources committed to a public event and the action undertaken will be proportionate to the assessment of risks posed by the event. They will also be restricted to the core areas of Police responsibility:-

- a) Prevention and detection of crime.
- b) Preventing or stopping breaches of the peace.
- c) Traffic regulations within the legal powers provided by statute, a Road Closure Order (TPCA 1847) or a Traffic Regulation Order (RTRA 1984).
- d) Activation of a contingency plan where there is an immediate threat to life and co-ordination of resultant emergency service activities.

- 4.1.2 The guidance notes that the Police are not a lead agency for approving a public event and responsibility for public safety rests with the organisers of the event, the

owners of the land on which it takes place and possibly the Local Authority if the event takes place on a road. The guidance recommends the establishment of multi-agency Safety Advisory Groups to provide advice and guidance to event organisers and other agencies involved. It is generally felt that through consultation and partnership agencies can produce better planned, safer and more resilient events.

- 4.1.3 Appleby Fair is not an ‘organised’ event and is not run or licensed by any organisation. However The Multi Agency Strategic Co-ordinating Group (MASCAG) was formed from a number of relevant public sector organisations, including Cumbria Constabulary, to oversee a co-ordinated multi-agency response to Appleby Fair, in accordance with best practice.

National Policing Improvement Agency – Guidance on Command & Control (2009)

- 4.1.4 This guidance has been produced on behalf of the Association of Chief Police Officers (ACPO) to establish a consistent service-wide approach to command and control. The guidance provides a framework of key principles for managing both spontaneous incidents (such as the school bus event in Appleby) and planned operations.
- 4.1.5 A spontaneous incident is where the police have not had prior warning to develop strategies, tactics and contingency plans. A spontaneous incident can happen at any time and without notice. The guidance stresses that Commanders should ensure that robust information and intelligence management processes are in place to provide as clear a picture as possible of the spontaneous incident as it develops to better inform the police response.
- 4.1.6 The command structure used by the Police Service is based on the GSB (gold, silver, bronze) hierarchy of command for both spontaneous incidents and planned operations. The guidance states that to be effective those undertaking these roles should be sufficiently trained, experienced and competent. Their role is to make decisions, give clear directions and ensure the directions are carried out. A threat assessment should form the basis on which the proportionality of the police response is judged. The assessment should analyse the potential or actual harm to people or property, the probability of it occurring and the consequences of impact should it occur. Decisions should be documented as part of an audit trail.
- 4.1.7 **There is a need to establish if:**
- **a formal command structure was in place for the school bus incident in Appleby and;**
 - **clear lines of communication and accountability were maintained together with decisions logged showing clear, supporting rationale.**

Given the complex and significant health and safety issues at play there should be evidence that a risk based method was adopted to assess tactical options and any hazards or other risks faced.

4.2 CUMBRIA CONSTABULARY GUIDANCE

Cumbria Constabulary – Incident Grading & Deployment Policy & Procedures (2012)

- 4.2.1 The policy and supporting procedures provide an incident response grading framework to determine an appropriate and proportionate response to incidents. They are a guide to Communications Centre staff and operational officers when making decisions in respect of the deployment of resources.
- 4.2.2 The procedures make it clear that the Communications Centre is responsible for the initial grading and deployment of resources to incidents and lists a number of factors for consideration:-
- Nature of the incident, considering risk assessment and crewing policy.
 - Location of the incident.
 - Proximity of officers to the incident.
 - Community / neighbourhood concerns.
 - If the call relates to an ongoing operation.
 - Primary roles of uniformed patrol officers / RPU officers / PCSOs / other resources.
 - Staff training & development.
 - Specialist skills & roles.

Incidents are graded 1 – 4, with 4 being resolution without deployment and 1 being an emergency requiring an immediate response. Grade 1 incidents are where there is likely to be a danger to life, use of violence (or immediate threat of), serious injury to a person, serious damage to property.

- 4.2.3 The Communications Centre must also ensure that relevant operational supervisors and / or commanders are made aware of those incidents as soon as practicable where an appropriate command structure can be implemented at an early stage. The Force Incident Manager (FIM) is required to support the Communications Centre and take early command of serious, critical and major incidents until such time as command can be properly transferred to an operational supervisor, with the relevant training and qualification.
- 4.2.4 Attending officers are required to respond dynamically during the initial stages of incidents. Procedures require that early updates are given on arrival at incidents so that appropriate resources can be deployed and better informed command decisions can be taken.
- 4.2.5 **There is a need to establish:**
- **how the Appleby school bus incident was graded and the justification for the grading and**
 - **if an adequate control and command regime was in place, whether or not the risks to the public were assessed and if an appropriate and proportionate mitigating response transpired.**

Cumbria Constabulary – Police Emergency Response & Pursuits Policy (2010) and Supporting Response Procedures

- 4.2.6 The policy and supporting procedures attempts to ensure that officers and staff understand the organisational expectations in relation to dealing with any emergency response or pursuit situation by setting clear operational boundaries. The strategic objective of any pursuit is to secure a safe resolution which will lead to the apprehension of offenders and prevention of crime.

- 4.2.7 The procedures cover training requirements for those performing any role in emergency responses / pursuit management, authority to conduct pursuits, tactical options for resolution, command of pursuits, recording pursuit activity, documentation of decisions taken with supporting rationale and communications.
- 4.2.8 There is an acknowledgement within the guidance material that, in the rapidly changing circumstances of an unforeseen operational incident, actions may be taken by individual officers that do not strictly comply with procedures. Where timescales are short there is often a need for officers to use their own professional judgement and experience to determine the most appropriate course of action and justify their actions later. The text below is an extract from the Police Emergency Response & Pursuits Policy:-

The attached procedures and codes of practice contain a number of references to the need for varying levels of formal authority to be granted before pursuit can continue or tactics be deployed. There is, however, recognition of the fact that on occasion officers will be confronted with circumstances which require immediate action in respect of their duty to protect life and property. In such circumstances an officer may self authorise the deployment of a particular tactic.

If an officer takes the decision to self authorise deployment of a tactic it is imperative the decision can be justified and seen to be proportionate in any subsequent investigation or enquiry. The appropriate authority level must be contacted as soon as practicable with regard to the decision made.

This policy, codes of practice and the tactics accompanying them are designed and intended to control the routine acts of criminality likely to be encountered by officers in the course of policing. No policy or code of practice can dissect, risk-assess, encapsulate and then carry in text, every potential tactical option necessary to protect the public in extraordinary circumstances where people prepare to commit atrocities. In such circumstances, it is acknowledged significant actions may be considered and taken in very short timescales outside the scope of these codes.

- 4.2.9 **In the first instance it is necessary to establish if a pursuit was undertaken during the Appleby school bus incident. If a pursuit was undertaken there is a need to establish:**
- **if those involved were sufficiently trained,**
 - **if appropriate authority was given for the pursuit,**
 - **if tactical options for resolution were fully considered and;**
 - **if adequate command and control arrangements were in place during the pursuit.**

All activity / actions during a pursuit should be fully documented with supporting rationale for decisions taken.

Cumbria Constabulary – Critical Incident Policy and Procedures (2007)

- 4.2.10 A critical incident is defined as:

‘Any incident where the effectiveness of the police response is likely to have a significant impact on the confidence of the victim, their family and / or the community’.

4.2.11 The critical incident procedures provide guidance on critical incident identification and initial action. Areas covered in the procedures include the command structure, communications and the recording of decisions and rationale within incident management logs.

4.3 APPLEBY FAIR POLICING PLAN

Appleby New Fair Operational Order (2013)

- 4.3.1 This document represents the policing element of the multi-agency response to Appleby Fair. The document is comprehensive in terms of setting strategic objectives, setting out an established command structure and covering areas such as resourcing, road policing, infrastructure, policies and procedures and communications.
- 4.3.2 Specific mention is not made of spontaneous incidents that might occur during Appleby Fair. However the document does make it clear that local serials are designed to be a flexible response to all normal day to day Neighbourhood Policing Team business as well as providing a flexible response to resource incidents within the event area. An arrest vehicle is to be maintained in Appleby town centre sector at all times and there is a defined command structure in place for the duration of the event with a clear indication that decision logs will be maintained by Silver and Bronze Commanders.
- 4.3.3 A series of pre-event briefings were arranged to ensure all commanders and serial supervisors were aware of their roles and responsibilities for the event. Officers' guides were also published and circulated which cover admin arrangements for the event but also a guide to powers and procedures for key aspects of the operation.

