

Devon and Cornwall Police Authority Corporate Governance Committee  
23 November 2005  
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Report of the Treasurer

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### Progress against the Internal Audit Plan 2005-06

**Recommendation:**

**That the Committee considers the attached report of Internal Audit.**

1. The Audit Committee agreed the annual internal audit plan for 2005-06 in March 2005. The attached report of Internal Audit records progress against the plan in the first half of the financial year. This has been an unusual year in that the Force is installing a new Integrated Management System (FIMS), which has a major impact in a number of key areas. Added to this, there are real initiatives to implement a corporate risk management process and much work has been undertaken on this. Consequently, a lot of audit activity has been targeted in these two areas.
2. The programme has progressed well to date, although some planned audits have been displaced because of the reasons identified above. It is intended that these will be picked up in the latter part of the year.

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# DEVON AND CORNWALL POLICE AUTHORITY

## INTERNAL AUDIT MONITORING REPORT

### FOR THE FIRST 6 MONTHS OF 2005 / 2006

#### 1. INTRODUCTION

- 1.1 This report identifies and outlines the nature of audit work undertaken during the first half of year 2005-2006. The report highlights the key areas of work undertaken and summarises our main findings and recommendations aimed at enhancing control of corporate risks identified during the course of delivering the audit plan.
- 1.2 The audit plan for the year 2005/06 was risk based and followed consultation with the Authority and Force. Considerable progress has been made toward working up corporate risk registers for the Force and Authority but these documents were not yet sufficiently mature to enable full alignment of the audit plan with the risk registers for 2005/06.
- 1.3 Devon Audit Services has been undergoing radical change in its approach to servicing the needs of its customers over the last twelve months. The transition from systems based auditing to the risk based systematic approach, and its active consulting role in the risk management arrangements of a range of clients covering an extensive range of sectors and activities demonstrates our commitment to achieving full compliance with CIPFA and IIA codes of audit practice.
- 1.4 Delivery of the Internal Audit plan for the first six months has also been set against a backdrop of major change impacting on the Force as a result of three key strategic initiatives underway during this period:-
  - Job Evaluation
  - Force Integrated Management System (FIMS)
  - Embedding of Risk Management

The impact of these initiatives is such that it has been necessary to re-schedule or postpone a number of planned audit assignments.

- 1.5 FIMS and Risk Management were identified as high audit priorities during the current audit year. Following consultation with the Treasurer and the Head of Finance, it was agreed that we would need to adopt a flexible and more reactive approach during this period of change. Consequently, the majority of audit resources have been targeted in these emerging and vital areas of Force business. Work will continue to be undertaken in these areas during the remainder of the year.
- 1.6 We have liaised closely with the Audit Commission in connection with the transition from FINEST to Agresso and the financial accounting and auditing issues that arise. This liaison has been maintained under the Joint Working Arrangements in place between Devon Audit Services and the Audit Commission.
- 1.7 Solid progress has been made in the first six months of this year although a limited number of audits were completed or underway by the end of September. A significant number of audit activities are in progress or have already been planned for the autumn.

## **2. PROGRESS OF AUDITS IN CURRENT YEAR**

2.1 During the first six months of the year, the following audits have been completed.

Final reports have been issued or the work completed in respect of :

- Firearms Inventory
- Performance Indicators
- Widow's Pensions

2.2 Draft reports have been issued in respect of:

- Custody meals
- E-tendering

## **3 SUMMARY OF FINDINGS**

### **Firearms Inventories**

3.1 We performed a follow-up review of the findings from our report dated June 2004. In the twelve months since the report, the Force had failed to rectify the most serious issue, that being the implementation of an appropriate asset recording system to replace Realsearch.

### **Widow's Pensions**

3.2 Devon Audit Services were asked by the Treasurer to carry out a verification exercise on behalf of the Police Authority, which involved obtaining a declaration from selected beneficiaries currently in receipt of a widows/widowers pension. The exercise was initially targeted at the lowest age group of beneficiaries up to the age of 70 years. During the period, the second target group of 68 pensioners aged between 70 and 75 years were contacted. Despite some difficulties in contacting a small number of beneficiaries, we were eventually in a position to confirm that all continued to be entitled and that no further action was necessary. The Treasurer made the decision, based on the successful results of the exercise, and on our opinion of the low likelihood of the risks pertaining to the beneficiaries over 75 years old, not to extend the exercise to this group. The initiative did however, identify some inconsistencies in the wording of information provided that may have led to some misinterpretation of the rules relating to continued eligibility in the event of co-habitation. These have now been addressed.

### **Performance Indicators**

3.3 We worked closely with the Audit Commission in preparation for their review of Performance Indicators by obtaining, assembling and testing background source data prepared by Force analysts and statisticians. This work is now completed and the file has been passed to the Audit Commission. No formal report is produced for this exercise but we can confirm that we found no significant errors in the data presented to us by the Force.

## **Force Integrated Management System**

### **Financials**

- 3.4 During this period we have attended a number of training sessions, presentations, workshops and meetings in connection with the implementation of FIMS. In May 2005 we were in a position to provide early assurance to the Treasurer that the functionality of the Agresso financials module would enable him to discharge his statutory responsibilities and would be compliant with CIPFA accounting standards.
- 3.5 We met with the Audit Commission early in the year to agree the protocols for supporting the audit of key financial systems against the background of transition from FINEST to Agresso on 1<sup>st</sup> November 2005. It was agreed that our review of FINEST would be confined to the analytical review and comparison of balances between periods 1-6 of 04/05 and 05/06. We will be engaged in monitoring the transfer of balances from FINEST to Agresso in early November. Two Internal Auditors will have received formal training in the use of Agresso general ledger, in order that we have a proper understanding of the key controls and reporting capabilities of the new system.
- 3.6 We reviewed the chart of accounts that would be applied to Agresso and found that, in our opinion, it was suitable and appropriate and largely mirrors the structures established in FINEST. However, we anticipate major benefits from the advanced reporting and auditing features in Agresso which are distinctly superior to those in FINEST.
- 3.7 Whilst the impact of failure to deliver fully capable financial functionality is very high, the likelihood is very low and we are assured that this risk is being effectively managed. We have gained this assurance from a variety of sources including audit testing and consultation with the project team at key stages of the project.
- 3.8 FIMS offers many opportunities for major improvement in the way finance is managed within the Force. Greatly enhanced financial management information will assist the Treasurer and Finance Managers in particular in making better informed decisions on matters of finance.

### **Payroll**

- 3.9 We attended the initial payroll workshop with Agresso in May, which provided the main focus of activities and timelines in relation to the implementation schedule, and were able to engage with the Project Team and key individuals at an early stage to challenge and influence priority areas. We have maintained regular contact with the implementation team, through meetings and the review of activities being co-ordinated by the financial systems manager. This post holder has followed closely the agreed implementation schedule, highlighting any issues or problems that may have emerged along the way. Where it is felt appropriate, internal audit has become closely involved in these aspects and in doing so has followed a checklist approach to confirm that key actions are being completed in accordance with schedule.
- 3.10 The impact of failure to deliver the Agresso Payroll/HR module is clearly seen as a high risk in terms of significance, and, although the schedule of implementation was always seen as 'challenging', there has been some optimism that key actions are being achieved within proposed timescales. Of critical importance are the business continuity and back-up processes available to the Force in the event that the proposed implementation date (of December 2005) is not achieved. Internal Audit has become involved in relaying information to the Treasurer which has reinforced previous discussion and agreement with Devon County Council (the current payroll supplier) for the continuation of stand-by contingency arrangements beyond

the current proposed 'go live' date. Discussions currently underway may seek to provide further extension of this contingency, purely as a safeguard.

- 3.11 Current user acceptance testing has confirmed that there is an acceptable first time error rate on parallel running. This is being currently investigated by the Pay Department in association with the Agresso consultant and there is optimism that a second parallel run will further reduce this rate to enable full implementation in accordance with schedule. A final decision on the actual implementation date will be made at that stage.
- 3.12 Recent discussions held with the Payroll Supervisor have centred on the extent of preparedness for implementation, in considering associated or peripheral processes, such as the documentation of key business processes. This, in turn, will need to inform the situation on the new Pay Team structure, and critically, the control and compliance functions within the team. It is important that the job descriptions are fully developed for these roles and the reporting and team structures. This will enable the Force to gain maximum advantage from the re-alignment of business processes and areas of responsibility, avoiding the temptation to merely replicate existing practices.
- 3.13 The successful implementation of the Payroll/HR module will offer many opportunities for on-going enhancement to better provide demographic, grading, pay-related and human resource information, whilst exploring new and cost-effective ways of working through employee and manager self-service.

### **Asset Management**

- 3.14 Although asset management is not due to be considered until phase 2 of the implementation programme, the functionality specified in the PID is confined to the tracking of the value of capital assets in the balance sheet, principally buildings, vehicles and IT equipment. The detailed methodology of how individual assets are to be managed is outside the scope of this project, but to be effective, Agresso will need to replace or interface with a number of different feeder systems. Currently none of these systems is configured to capture the capital value and calculate depreciation over the lifetime of the asset. We requested consultation with the Agresso sales team in August and were able to establish that the asset management module does have all the functionality expected of a modern asset management system and, can be interfaced with specialist asset tracking systems if required.

### **e-procurement**

- 3.15 We noted that the functionality to support e-procurement is a key feature of the proposed system. We are re-assured to note that again, Agresso include this functionality as a standard feature. Integration of the Police e-Procurement Strategy (PePS) with FIMS will be key to obtaining some of the major benefits of streamlined procurement mechanisms, in particular for low value purchasing in the electronic marketplace. It is unlikely that e-tendering or e-quoting mechanisms will have a significant impact on the progress of the project.

### **Risk Management**

- 3.16 We have played an integral role in the development of Corporate Risk Management for the Force and the Authority. Consultancy was provided on an ad hoc basis to the Force Risk Review Group and initially involved meeting weekly with them to finalise risk identification, classification, evaluation and scoring methodologies. It was agreed with the Commander of Strategic Development Department that it would be necessary to defer the planned risk workshops in BCU's, Crime and Operations and Criminal Justice Departments until after a

preliminary round of workshops had been conducted by the Force risk management team and risk management “champions” had been appointed and trained.

- 3.17 Devon Audit Services gave a formal presentation on the role of internal audit in risk management at these workshops and dealt with any questions from delegates concerning the review and inspection activities required to provide assurance on the effectiveness of mitigating controls.
- 3.18 We have prepared and conducted a risk workshop for the Police Authority following consultation with key officers and members. A modified scoring methodology from that used by the Force was employed in order to reflect the different range of activities and responsibilities. The work in this area is ongoing.

#### **4. CONCLUSION**

- 4.1 Substantial progress has been made during the first six months of this year towards the completion of the audit plan. Members and Senior Managers can be assured that generally the systems operated within Devon & Cornwall Constabulary that we have examined contain a satisfactory level of control and are generally being operated effectively. Examples of control weaknesses need to be seen in the context of an organisation which is generally well managed. Many of the recommendations accepted have been absorbed into the continuous improvement database monitored by Strategic Development Department. We see this as a particularly useful enhancement that will ensure that due priority is given to their implementation.
- 4.2 Regular meetings are held with the Force and the Authority to monitor progress on the audit plan, to discuss the draft reports issued and to identify emerging areas where internal audit could or should be involved. We welcome these meetings and find that the “open” approach adopted by the both the Force and Authority enables our work to be completed effectively, ensuring that internal audit resources continue to be employed appropriately.

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Devon Audit Services  
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