

To: Joint Audit Committee
Date: 15th September 2014
By: David Taylor, Baker Tilly
Title: Internal Audit Progress Report

Purpose of Report/Issue:

To update the Joint Audit Committee of Internal Audit's progress in achieving the 2014/15 Internal Audit Strategy since the last meeting of the Committee.

Recommendation

The Committee is invited to comment on Baker Tilly's progress to date in achieving the Internal Audit Strategy.

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The Office of the Police and Crime Commissioner for Surrey and Surrey Police Force

Internal Audit Progress Report

Audit Committee meeting 15th September 2014

Introduction

The internal audit plan for 2014/15 was approved by the Joint Audit Committee. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
<i>Forensic Medical Examiners (1.14/15)</i>	<i>Final</i>	Amber/Green	1	0	0
Proceeds of Crime	Originally planned Q1 now moved to Q3 due to DAAT audit				
Covert Accounts	Originally planned Q1 now moved to Q2 due to higher security clearance needed				
Risk Management	Q2				
Crime recording audit	Originally planned Q2 now moved to Q3 due to DAAT audit				
PAYE audit	Q2				
General Ledger	Q3				
Financial Reporting	Q3				
Creditor payments	Q3				
Cash Receipting and Treasury Management	Q3				
Income and Debtors	Q3				
Governance	Q3				
IT Review	Q3				
Procurement	Q3				
Project Management	Q4				
Victim Support	Q4				
Follow up	Q4				

Other Matters

Planning and Liaison:

We are working with management to agree scopes and dates for the remaining 2014/15 internal audits

Client Briefings

We have issued the following client briefings since the last audit committee:

- News briefing – July 2014
- News briefing – August 2014

These have been attached separately for your information

Internal Audit Plan 2014/15 – Change Control:

At the request of management, we have included a review of the Surrey DAAT within the internal audit plan. In order to accommodate this review, we have delayed the start of the Proceeds of Crime and Crime Recording audits until November.

The review of Covert Accounts, originally planned for Quarter 1, has been delayed owing to the additional vetting clearance required, and will now be completed in September 2014.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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Emergency services news briefing

August 2014

Policing in austerity: Meeting the challenge

Her Majesty's Inspectorate of Constabulary's (HMIC's) fourth and final report on its Valuing the Police Programme has been published. With the police service experiencing a reduction in central government funding of 20% over the spending review period, HMIC's latest report considers how forces in England and Wales have managed the considerable challenge to achieve savings so far. HMIC has collected data and savings plans from all 43 forces, conducted in-force inspections and surveyed the public. They identified five forces judged as having an 'outstanding' response to the spending review constraints; 35 forces were judged to have a 'good' response and only three forces were deemed to require improvement. The reports main findings include: police forces have found almost £2.53 billion worth of savings in the last four years; HMIC is concerned that neighbourhood policing is at risk of being eroded in some areas as a direct consequence of the funding challenge; since 2013, the amount of savings forces plan to achieve through collaborative working has increased slightly, yet collaboration between forces, public and private sector organisations remains fragmented, patchy and overly complex; and that there is scope for further savings to be achieved by the majority of forces, which is important given there is no immediate end in sight to austerity. HMIC believes that the time is now right for an open, constructive debate on how policing is organised and resourced in the future. The Inspectorate will convene this debate and publish a range of options for a national blueprint for policing in austerity. The report will be published in June 2015.

Consultation on HMIC's programme for regular force inspections

The consultation on HMIC's programme for regular force inspections is born out of significant changes to policing in England and Wales in recent years. The purpose of the new assessment will be to provide a reliable, impartial and expert assessment of policing. The new annual independent assessment known as Police Efficiency, Effectiveness and Legitimacy Assessments (PEEL) will use both qualitative and quantitative evidence. The inspections will focus upon 16 core questions addressing the three principle themes of: efficiency, effectiveness, and legitimacy. Two inspections a year will be undertaken: one to cover effectiveness; and one to cover efficiency, with both inspections covering elements of legitimacy, organisational factors, and local context. Findings from both reports will be used to produce the final annual assessment. The assessment will reflect terminology used by Ofsted: outstanding, good, requires improvement, and inadequate. The consultation outlines 10 key questions about the proposed inspections, and is seeking views from the public, the police service and other interested parties. The consultation will remain open until 29 August 2014.





Reform of anti-social behaviour powers, statutory guidance for frontline professionals

The Home Office has published statutory guidance with regards to the Anti-social Behaviour, Crime and Policing Act 2014. The statutory guidance is written principally for police officers, council staff and social landlords and is split into two core parts. Part 1 provides information on the new measures being introduced, which will allow victims a greater say in the way their reports of anti-social behaviour are dealt with; and Part 2 provides specific details on the new powers. Under the Anti-social Behaviour, Crime and Policing Act 2014, the system of dealing with anti-social behaviour has been overhauled to ensure that all agencies involved put the needs of the victim first. The Act includes two new measures: the Community Trigger, which gives victims and communities the right to request a review of their case; and the Community Remedy, which allows victims a say in any out of court punishment for perpetrators involved in low-level crime and anti-social behaviour. The anti-social behaviour measures contained in the Act and covered in the statutory guidance are: civil injunction; criminal behaviour orders; dispersal power; community protection notice; public spaces protection order; closure power; and the new absolute ground for possession of secure and assured tenancies in cases where anti-social behaviour or criminality has been proven by another court.

Home Office guidance: Police officer misconduct, unsatisfactory performance and attendance management procedures

On 15 July 2014 the Code of Ethics was laid before Parliament, as a Code of Practice, under section 39A of the Police Act 1996 (as amended). The Code of Ethics sets out nine policing principles and ten standards of professional behaviour; as a legal Code of Practice responsibility for embedding the Code across all 43 police forces in England and Wales rests with Chief Constables. To reflect the Code of Ethics, the Home Office has updated its guidance on Police Officer Misconduct, Unsatisfactory Performance and Attendance Management Procedures. Chapter 1, dealing with standards of professional behaviour and Chapter 2, with regards to severity assessments, have both been updated in light of the Code.

Preparing for the National Fraud Initiative 2014/15

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The NFI has been run every two years since 1996 and to date has identified fraud and overpayments totalling more than £1.17 billion.

Our team of experienced and accredited counter fraud specialists have produced an information sheet which provides more details about the NFI and the three key steps that organisations need to take in order to participate in the initiative.

For more information:

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Local Government News brief

July 2014

Future funding Outlook 2014, Funding outlook for councils to 2019/20

The third annual report on future funding for councils has been published by the Local Government Association. The funding outlook goes beyond the general election of 2015 towards the next election in 2020 and examines how council funding will be affected and how councils are actively taking steps to mitigate cost pressures by reforming the way they deliver services. With councils suffering the largest cuts to spending within the public sector, the situation is not likely to change in the foreseeable future. The report notes that cuts in spending have so far been accomplished in the main through improving efficiencies within existing systems. However, it is predicted by 2015/16 cuts to services will have to take place to continue the cost cutting exercise; analysis of budget strategies reveals that two thirds of councils believe that efficiencies will be running out by the 2015/16 financial year. By 2019/20 the funding gap facing councils is estimated to be £12.4 billion. Although many councils hold reserves, in most cases these have been earmarked for specific projects, and therefore cannot be used to plug the funding gap. The report notes that cuts in spending need to be weighed against each council's statutory responsibilities and the political priorities of the administration.

[Read more.](#)

Use of Discretionary Housing Payments, Analysis of annual financial and monitoring returns from local authorities

The Department for Work and Pensions has published an analysis of annual financial and monitoring returns from local authorities into the use of Discretionary Housing Payments (DHP). Government contributions towards DHP's have increased significantly allowing local authorities the ability to assist more people affected by key changes to Housing Benefit. Prior to 2011 government contributions to DHP's was £20 million a year but in the financial year 2013/14 this was increased to £160 million, with local authorities also having the option to bid for a proportion of a £20 million RSRS (removal of the spare room subsidy) fund. The report states that in England only 94 per cent of the allocated DHP was spent by local authorities. Figures show that 85 local authorities overspent, 231 local authorities underspent and 10 local authorities spent 100 per cent of their allocation, creating a total underspend of -£9,374,305. The report also highlights that 60 per cent of total awards allocated in England, were due to the removal of the spare room subsidy in the social rented sector.

[Read more.](#)

Consultation on Her Majesty's Inspectorate of Constabulary's programme for regular force inspections

The Consultation on Her Majesty's Inspectorate of Constabulary's programme for regular force inspections is born out of significant changes to policing in England and Wales in recent years. The purpose of the new assessment will be to provide a reliable, impartial and expert assessment of policing. The new annual independent assessment known as Police Efficiency, Effectiveness and Legitimacy Assessments (PEEL) will use both qualitative and quantitative evidence. The inspections will focus upon 16 core questions addressing the three principle themes of: efficiency, effectiveness, and legitimacy. Two inspections a year will be undertaken: one to cover effectiveness; and one to cover efficiency, with both inspections covering elements of legitimacy, organisational factors, and local context. Findings from both reports will be used to produce the final annual assessment. The assessment will reflect terminology used by Ofsted: outstanding, good, requires improvement, and inadequate. The consultation outlines 10 key questions about the proposed inspections, and is seeking views from the public, the police service and other interested parties. The consultation will remain open until 29 August 2014.

[Read more.](#)

Home Office Unveils New Police Corruption Offence

The Home Secretary, Theresa May, announced plans for a new Police Corruption offence during her statement to Parliament following the outcome of the Ellison Review. The offence will supplement the existing offence of misconduct in public office. Former Policing Minister, Damian Green has explained that the offence will improve the integrity and transparency of the police and will ensure that criminal law is available to punish and deter acts of corruption by police officers. The offence will carry a maximum sentence of 14 years imprisonment. The new offence would apply to “officers of all ranks and special constables in England and Wales, as well as officers of the British Transport Police, Ministry of Defence Police and the Civil Nuclear Constabulary. It would also apply to those National Crime Agency officers who have the powers and privileges of a constable, including NCA Specials.”

[Read more.](#)

Government response to House of Commons Communities and Local Government Committee’s Sixth Report of Session 2013-14

A response to the Select Committee’s report on Local Government Procurement has been published by the Government. The report identifies the need for improvements to be made in respect of procurement practices within Local Government; the committee believes that improvement should be led by the sector, a view that is supported by the Government. Local authorities should retain control over their procurement processes to ensure best value for money for the local community, not just the cheapest monetary tenders. This includes the use of centralised, multi authority practices. The Government response includes a number of examples of successful centralised, multi authority practices to demonstrate what could be achieved. For instance, one local authority has been able to procure a new waste collection service at a reduced cost by joining with three neighbouring authorities. It is noted that a standardised approach to Pre-Qualification Questionnaire’s and a streamlining of the system would benefit not only local authorities but also suppliers, opening up the process to more SME’s. Both the Committee and the Government’s response reiterates that councils must also take action in respect of fraud within procurement, which although difficult to prove, can be aided by ensuring contract awarding is a transparent process with auditable measures in place.

[Read more.](#)

Collaboration – the bigger reward

In a new article, Baker Tilly’s Matt Humphrey and Sarita Adams explore some of the practical issues when considering collaborative working. Featuring in Public Sector Executive, the article considers the importance of getting the collaborative model right first time, and offers a number of top tips to help organisations tackle their collaboration challenges.

[Read more.](#)

Making savings from contract management

At the recent CIPFA Conference Baker Tilly ran a workshop on “Making savings from contract management”. Led by Walter Akers, Partner and Head of Contract Risk Advisory Services, the workshop provided an insight into the way in which local authorities can leverage greater commercial advantages from contract construction, as well as cash savings through more effective and efficient contract management.

To obtain a copy of the presentation slides, please email: janet.fernandez@bakertilly.co.uk.

New fund to help councils fight fraud

Speaking at CIPFA's annual conference, Local Government Secretary Eric Pickles announced a new £16 million fund to help councils tackle fraud. Official figures reveal that local authorities are losing £2 billion per year as a result of fraud and error. The Department for Communities and Local Government has issued a prospectus on the Counter Fraud Fund, accompanied by an application form for local authorities to submit their proposals. The fund is worth up to £16 million over the financial years 2014/15 and 2015/16. The fund is a short term measure while the Single Fraud Investigation Service is implemented, which aims to support local authorities in tackling losses incurred from non-benefit fraud. The hope is that bids will be sustainable after the funding period has ended, due to their innovative and holistic approach to tackling fraud. All bids will be assessed against five criteria: financial savings and benefits of the proposal, partnership working, sustainability, feasibility, and innovation. All bids must satisfy the financial savings and benefits criterion initially in order to be assessed by the subsequent criteria. Bids will be assessed by an assessment team; its analysis will then be passed to an assessment panel, which will comprise people with significant counter fraud expertise. During his speech, Mr Pickles stated that "this challenge fund will be allocated to the most innovative local authorities who plan to generate the most-effective savings". All bids must be submitted by 5pm on 5 September 2014.

[Read more.](#)

The National Fraud Initiative

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The NFI has been run every two years since 1996 and, to date has been used to identify fraud and overpayments totalling over £1.17 billion. The 2014/15 NFI will soon be commencing, so what do you need to do now:

1. Confirm that your organisation will be participating in NFI 2014/15 no later than 29 August 2014.
2. Prepare for data submission. Data sets should be submitted via the secure NFI web application on 6 October 2014.
3. Review and issue the fair processing notices by 30 September 2014 together with the submission of the automated fair processing notice compliance declaration accessible from the NFI web application Home page.

Baker Tilly's Fraud Risk Services team of Accredited Counter Fraud Specialists have experience in completing the NFI.

We can assist organisations in the:

- Development of Fair Processing Notices to inform data subjects of the use of their data in the exercise.
- Completion of the Fair Processing Notice compliance return.
- Collation and submission of the required data sets.
- Timely review and investigation of matches.

For further information please contact:



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