

Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



Audit of processes for monitoring Police Overtime

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Audit Resources

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Audit Report Distribution

For Action:	Sue Clasper – Financial Services Officer
For Information:	Rob O'Connor – Temporary Chief Superintendent, Territorial Policing Command. Andy Slattery – Assistant Chief Constable.
Audit Committee	The Joint Audit Committee which is due to be held on 23 rd May 2019 will receive this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

Cumbria Shared Internal Audit Service

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Executive Summary

1. Background

- 1.1. This report summarises the findings from the audit of Overtime Monitoring Processes. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. One of the priorities set out in the Police and Crime Plan is to spend money wisely. It is therefore essential to the organisation that there are effective arrangements in place to control and monitor finances and this includes the monitoring of overtime.
- 1.3. The Constabulary has an overtime budget for the current financial year, in the region of £2.3M. This is for Police Officer, Police Staff and PCSO overtime.
- 1.4. Monitoring of overtime budgets changed at the start of 2018 in order to allow budget holders and senior management to better understand the reasons why overtime budgets were being overspent. Finance, together with the Senior Leadership Team, developed the level of detail contained in monitoring reports for budget holders to provide more insight to the reasons overtime was high and whether there were any trends etc. As a result a new framework for monitoring overtime was developed.

2. Audit Approach

2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Temporary Chief Superintendent Territorial Policing Command. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:

- New arrangements for monitoring overtime

2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating for the new overtime monitoring processes provide **substantial** assurance.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There is 1 audit recommendation arising from this audit review and this can be summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. Management - achievement of the organisation’s strategic objectives	-	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts	-	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.1.)	-	-	1

4. Security - safeguarding of assets	-	-	-
5. Value - effectiveness and efficiency of operations and programmes	-	-	-
Total Number of Recommendations	-	-	1

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- There is a framework for reporting and monitoring overtime. Responsibilities have been clearly defined for both budget holders and finance staff.
- Processes have been documented for staff to follow.
- When the new arrangements were introduced in 2018 finance provided support to budget holders and meetings took place to explain what the monitoring reports meant and how to use the information provided. Where budget holders change finance meet with the new post holder to explain the process.
- Regular discussion and liaison takes place between finance and budget holders as part of the budget monitoring process and this includes overtime. Established monthly meetings take place alongside more frequent meetings when required, an example being the weekly Operations overtime meeting which was set up to focus on areas where overtime was high.
- In order to ensure that overtime for specific operations are correctly coded, finance provide the operation specific cost centre code alongside the category code and officers are made aware of the arrangements. Finance undertake checks on coding to ensure that overtime costs are correctly reflected and recharges can be made as appropriate.
- Finance is a standing agenda item at Territorial Policing and Crime Command Senior Leadership Team meetings. Overtime monitoring reports for police officer overtime have been developed and the report for Territorial Policing includes a dashboard to summarise the key information and provide information such as a comparison with previous years, reasons for the overtime, spend by day and the top overtime earners. The meetings are attended by the Financial Services Officer.
- As a result of the new reporting arrangements, opportunities have been taken to further improve the way in which monitoring is carried out, this includes:
 - The Financial Services Officer has introduced a weekly report from the Duty Management System, the hours recorded are used to calculate an estimate of costs for planned overtime. The aim of this is to provide a more accurate estimate of Police Officer overtime commitments for Territorial Policing Operations.

- The Chief Superintendent Operations has introduced a weekly meeting to review and monitor overtime in Operational Support. This includes a look ahead at events for overtime planning and forecasting purposes; and to discuss any possible resourcing gaps that may need to be covered and could be accommodated through means other than overtime.

4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1. *High priority issues:*

- None Identified

4.4.2. *Medium priority issues:*

- None Identified

4.4.3. *Advisory issues:*

- Finance hold regular meetings with the Superintendents from the Areas and Operational Support where overtime reports are discussed. However, there is no record retained of discussions held or of any decisions taken at the meetings.

Comment from the Assistant Chief Constable

I am aware of the content of this report, the action the constabulary has signed up to and have arrangements in place to monitor implementation of the control measure identified, namely the recording of budget monitoring discussions between operational Commands and Finance Dept.

I am satisfied that the action identified addresses the issue and risk identified within the audit to an acceptable level.

The report can now be finalised and reported in summary to the next meeting of the Joint Audit Committee via the internal audit quarterly progress report.

Andrew Slattery

Assistant Chief Constable

Management Action Plan

5. Matters Arising / Agreed Action Plan

5.1. Information - reliability and integrity of financial and operational information.

● **Advisory issue**

Audit finding	Management response
<p>(a) Evidence of Discussions / Decisions</p> <p>Detailed overtime monitoring reports are prepared by the Financial Services Officer (FSO) in respect of Territorial Policing, Operations. The reports which include details of police officer overtime, are provided to the budget holders for review, each month in advance of the full management accounts.</p> <p>Internal Audit were advised that meetings are held meetings with the Superintendents from the Areas and Operational Support to go through the management accounts and overtime reports and discuss the figures in more detail. Looking at daily costs, areas of high spend and planned spend etc. to include in future forecasting.</p> <p>There is no record retained of discussions held or the decisions taken at the meetings in relation to overtime.</p> <p>Examination of the Overtime reports noted that they include Comments boxes for Finance and the relevant Department. However, discussions with the FSO indicated that the boxes are not generally used to record discussions, as any comments or feedback is verbal.</p>	<p>Agreed management action:</p> <p>Discussions and decisions made in meetings to be recorded commencing May 2019 when first accounts are produced.</p>
<p>Recommendation 1:</p> <p>In order to provide a permanent record of any decisions made or action required by Financial Services or the Department as a result of overtime monitoring consideration should be given to</p>	

completing the comments box included on the TP overtime reports.	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none">• There is no evidence of decisions made or who has made them.• Possible issues or errors are not recorded or addressed.	<p>Responsible manager for implementing: Financial Services Officer</p> <p>Date to be implemented: 05/2019</p>

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

Definition:		
High	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	●	Some risk exposure identified from a weakness in the system of internal control
Advisory	●	Minor risk exposure / suggested improvement to enhance the system of control

Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.