



Cumbria Shared Internal Audit Service
Internal Audit report for Cumbria Constabulary
Audit of the New Business Transformation Project:
Finance

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Audit Report Distribution

For Action:	Roger Marshall (Joint Chief Finance Officer)
For Information:	Mark Webster (Deputy Chief Constable)
Audit Committee:	The Joint Audit Committee which is due to be held on 23 rd June 2021 will receive the report.

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

Executive Summary

Background

This report summarises the findings from the audit of the **New Business Transformation Project: Finance (phase 1)**. This was a planned audit assignment which was undertaken in accordance with the 2020/21 Audit Plan.

Business transformation activity is important to the organisation because it helps to make organisational savings and address inefficiencies in ways of working. This contributes directly to the strategic priority of spending money wisely and the delivery of objectives in the Police and Crime Plan for Cumbria 2016-20 and Vision 2025.

The Finance and Procurement Project is one workstream of the wider Business Transformation Programme originally approved in November 2018 and revised in July 2019. The project is in place to facilitate the move from end of life systems, where support dates are due to expire, to new, fit for purpose technology and a full Oracle cloud solution. The project's original 'Go Live' date was 5th October 2020 but due to various data quality and technical issues identified during data migration, on the 4th October 2020 the Project Board approved a recommendation from the delivery partner to move from a direct cutover to a phased approach. The phased approach ended on the 23rd November 2020 once the final modules went live, 7 weeks behind the original go live date of the 5th October 2020. This impacted on the business creating backlogs in Central Service Department and Commercial Department but also Finance due to the additional resources required to assist the Project. Reports at the time suggested it would take some time for the backlogs to clear and departments to return to normal.

The issues identified during the user testing phase and the various data quality and technical issues resulted in the Project Board having to make some quick and difficult decisions in order to keep the project moving forward. This included:

- the phasing of the Go Live stage (as outlined above)
- the conscious move to a daily briefing structure with key senior project board members to allow greater focus and support quicker decision making during the phased implementation approach. These meetings were documented through a situational report which was shared with the key staff and short daily verbal updates to the team
- agreeing that several pieces of functionality, de-scoped from the Go Live period, would be delivered post go live.

Audit Approach

Audit Objectives and Methodology

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. Detailed findings and recommendations are set out within the Management Action Plan.

Audit Scope and Limitations

The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Roger Marshall (Joint Chief Finance Officer). 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:

- **Phase 1** – management of the finance stream of the business transformation project. This will include project objectives, governance arrangements, risk management, decision making, monitoring and reporting of progress and feedback received on finance elements specifically, or generally from the peer review covering the wider transformation programme
- **Phase 2** – this will be undertaken during quarter 1 of 2021/22 as a Post Implementation Review and will include arrangements for ensuring that once implemented the systems are delivering what was expected with an adequate level of internal control. This audit review was originally scheduled for quarter 4 of 2020/21 but project implementation delays mean that the post go live phase of the project will not be ready for review at this time. Specific elements such as balance transfers have been picked up as part of main financial system audit review included in the 2020/21 reassessed internal audit plan.

There were initially delays in receiving some information due to the impact of project implementation delays and the backlog of work created. Further information was supplied to finalise the report.

Assurance Opinion

Each audit review is given an assurance opinion, and this provides Joint Audit Committee and Officers with an independent 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**.

From the areas examined and tested as part of this audit review, we consider the current controls operating around the New Business Transformation Project: Finance provide **Reasonable Assurance**.

Our opinion recognises the significant challenges that were faced in implementing the Finance and Procurement project. The project team had to operate in a Covid environment (home working) making communication within the team and with the delivery partner more difficult, with the team having to work in different ways and adapt quickly to situations as they arose. Testing and implementing the new system mid-year brings with it its own challenges at the best of times never mind having to work in such unusual times and to tight timescales. Despite these challenges, the new system is in place and operating and we recognise this in our assessment. However, there also needs to be recognition that not everything has gone to plan and that the handover to business as usual, planned for 30 October 2020 was still ongoing in mid-January 2021. Not all of the agreed scope has been achieved within the timelines of the project with the remaining tasks to be delivered in Phase 2.

There are clear lessons to be learnt from the implementation of this project, even after taking into account the impact of Covid. These need to be shared widely so that other transformation projects can learn as from this and consider what changes they may need to make. It is noted that several of the senior members of the project board for this project are also on other BTP boards which should help sharing relevant learning.

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.

Summary of Audit Findings and Recommendations

Controls were operating effectively in the following areas:

- There is clear business justification for the project, providing clarity around what is required from the system and how the project aligns with strategic objectives
- Chief Officer Group approved the Terms of Reference for the Finance and Procurement Project that fully explain governance arrangements
- A Project Board has been established to provide direction, oversight and leadership of the project. The Project Board met on a monthly basis to oversee project progress and feeds regularly into the Business Transformation Programme Board within the wider governance structure. Some members of the Project Board moved to daily meetings when the live implementation date was exceeded in early October 2020, then twice weekly and returning to monthly meetings in mid-December 2020
- Decisions at key stages of the project were documented
- A Finance and Procurement Project Plan has been developed. It includes the tasks to be undertaken at each stage, the timing of each task, resources allocated, and percentage of task completed.
- Nominated staff across Finance, Procurement, Central Services and ICT have been allocated to the project to provide an appropriate mix of skills and knowledge.
- Project risks are captured within a RAID Log (Risks, Assumptions, Issues and Decisions) for ongoing consideration and management. The RAID Log is presented to the Project Board on a monthly basis and minutes confirm that full discussions take place.
- A peer review of the wider transformation programme was arranged to identify potential areas for improvement and develop the Constabulary’s approach to business transformation
- A closure report was produced which includes a section on lessons learned.

The recommendations arising from this review can be summarised as follows:

High	Medium	Advisory	Total
0	1	1	2

The three levels of audit recommendation are defined in **Appendix A**.

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

High Priority Issues: None identified.

Medium Priority Issues:

- There is a need to share the lessons learned with other Business Transformation Projects as part of continuous learning and improvement.

Advisory issues:

- Commentary in project plans is not always updated to support the RAG rating used and cross referencing between different plans could be clearer.

Deputy Chief Constable Comments

I acknowledge the audit opinion given. I am aware that difficulties were encountered in the transition to new system, primarily due to COVID challenges but also due to other internal factors. Such difficulties are not unexpected, but lessons learned do need to be harvested for future project activity. The project board has reviewed the lessons learned, and the implementation of this will be monitored to reduce the future risk of repetition.

DCC M Webster 28th May 2021

Management Action Plan

Medium Priority

Audit finding	Management response
<p>Improvement Activity</p> <p>An interim peer review of the wider transformation project was arranged with Durham Constabulary to identify potential improvements. The outcomes of the review were presented to Chief Officer Group on 29 July 2020 but we have not seen the evidence to demonstrate how learning from the peer review was incorporated into this project.</p> <p>At the time of the initial draft of our audit report a lessons learned review was being undertaken as part of the Post Go Live Project Plan. At the time it was reported to Internal Audit that some lessons have already been shared verbally with the Duty Management System replacement project.</p> <p>On 27 January 2021 a 'Finance & Procurement Project – Phase 1 Closure Report' was presented to the Finance & Procurement Project Board. This included a section on 'Lessons Learned'. Although some are specific this project there are several which may also provide wider learning for other Business Transformation Projects (BTP) such as:</p> <ul style="list-style-type: none"> • ensuring that contingency time is built into the project timescales / plan • assessing at the start whether there are benefits of a 'phased' implementation approach if resourcing and timescales are constrained • assess whether system to be implemented is well established, or relatively new technology, and assess any additional risks that might need to be considered. 	<p>Agreed management action:</p> <p><i>Many of the actions arising from the peer review of the BTP project relate to work which is planned in phase 2 of the project for example service re-design where the emphasis will be on collaborative working and realising benefits.</i></p> <p><i>In the time between the peer review and audit the focus has been on ensuring that the finance and procurement systems went live and operated as effectively as possible, which is consistent with the recommendations of the peer review.</i></p> <p><i>Opportunities for wider learning are restricted by the fact that there are generally fewer interdependencies between this element of the project, which is centred on the procure to pay process, than the other strands, which are very people focused. Nevertheless, the ICT Business Development Manager, Deputy CFO and Head of Central Services all sit on other BTP boards including Duties and have been to communicate relevant knowledge in these</i></p>

<p>Recommendation 1: Ensure that lessons learned are shared with the wider Business Transformation Project, as part of a commitment to continuous improvement.</p>	<p><i>forums. Members of the Finance and Procurement project will continue to advise and work collaboratively to ensure that all elements of BTP operate as efficiently as possible.</i></p> <p><i>These lessons learnt will also be considered across the portfolio of Projects moving forward.</i></p>
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Failure to identify shortcomings in the business transformation process. • Opportunities not taken to make improvements. 	<p>Officer responsible for Implementing: Joint CFO</p> <p>Date to be implemented: 06/2021</p>

Advisory issue

Audit finding	Management response
<p>Project Planning Internal Audit was provided with three separate Finance & Procurement Project Plans for review. A project plan within Microsoft Project dated 13/08/20, a Microsoft Excel Cutover Plan prepared in November 2020 and then an updated Microsoft Project Plan dated 29/01/21. It is understood that a Post Implementation Plan is now being initiated. The Cutover Plan was prepared in Microsoft Excel so that it could be shared more widely, with staff unfamiliar with Microsoft Project software.</p>	<p>Agreed management action: <i>The general response to this recommendation is that there was effective and transparent project planning in relation to replacement of the Finance and Procurement systems, which followed Prince 2 methodology. In relation to the specific points raised :</i></p>

<p>An examination of the three plans raised a number of issues:</p> <ul style="list-style-type: none"> • The Cutover Plan shows all but one task 100% complete but the commentary in some instances suggests otherwise and RAG ratings are not utilised. For this reason, it was difficult to gauge progress and the volume of work outstanding. • The updated January 2021 version of the Microsoft Project Plan shows a number of tasks not yet started or incomplete as at 29/01/21 and RAG rated red. This raised questions around the ability to successfully close the project on the 09/02/21, per the plan. • The transfer of tasks from Microsoft Project to Microsoft Excel and reflected back into Microsoft Project for project planning during the project made it difficult to track progress with some individual tasks and the project overall. This was due in part to the Cutover Plan tasks not cross referencing clearly to tasks in the master Microsoft Project Plan. <p>Project issues and delays may have impacted on project plan maintenance and reduced the level of clarity around progress made.</p>	<ul style="list-style-type: none"> • The cutover plan was continuously updated until the end of phase 1 of the project. Comments were retained on the plan to provide an audit trail and in some cases may have been superseded. • It is correct that some elements of the project were incomplete at the closure of phase 1 of the project. These were transferred to phase 2 project and this was clearly documented on the phase 1 closure and the phase 2 terms of reference documents. • Two project plans were maintained a high-level project plan and a more detailed staged plan. This is in accordance with Prince 2 methodology. The plans were fully cross referenced and consistently rag rated, although it is recognised that the versions shared with internal audit could have been expanded to show the detail around the cross-referencing.
<p>Recommendation 2:</p> <p>Ensure that the commentary in project plans is always updated so that it supports the RAG rating used and that any cross referencing between different plans is clear.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • The project fails to deliver expected results. • Deadlines are exceeded. 	<p>Officer responsible for Implementing ICT Business Development Manager</p>

- Inefficient use of resources.
- Lack of clarity over progress.

Date to be implemented:
06/2021

Appendix A

Audit Assurance Opinions

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

Assurance Level	Definition
Substantial	Sound frameworks of governance, risk management and internal control are in place and are operating effectively. Recommendations, if any, will typically be no greater than advisory.
Reasonable	Frameworks of governance, risk management and internal control are generally sound with some opportunities to further develop the frameworks or compliance with them. Recommendations will typically be no greater than medium priority.
Partial	Weaknesses in the frameworks of governance, risk management and/or internal control have been identified or there are areas of non-compliance with the established control framework which place the achievement of system / service objectives at risk. Recommendations will typically include high and medium priority issues.
Limited	There are significant gaps in the governance, risk management and/or internal control frameworks or there are major lapses in compliance with the control framework that place the achievement of system / service objectives at significant risk. Recommendations will include high priority issues.

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:

Grading	Definition
High	A recommendation to address a significant gap in governance, risk management or internal control frameworks or to address significant non-compliance with controls in place.
Medium	A recommendation to address a gap in governance, risk management or internal control frameworks or to address aspects of non-compliance with controls in place.
Advisory	A recommendation to further strengthen governance, risk management or internal control frameworks or to improve compliance with existing controls.