



Cumbria Shared Internal Audit Service
Internal Audit report for Cumbria Constabulary
Audit of the Business Transformation Project:
Finance (phase 2)

Draft Report Issued: 24th March 2022

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Audit Resources

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Audit Report Distribution

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| For Action: | Roger Marshall (Joint Chief Finance Officer) |
| For Information: | Robert Carden (Temporary Deputy Chief Constable) |
| Audit Committee: | The Joint Audit Committee which is due to be held on 22 nd June 2022 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 **Business Transformation Project: Finance (phase 2)**. This was a planned audit assignment which was undertaken in accordance with the 2021/22 Audit Plan. Phase 1 of the Finance Business Transformation Project was reviewed as part of the 2020/21 Audit Plan and received a **Reasonable** assurance opinion.

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.

Phase 1 of the Finance and Procurement Project workstream, which was part of the wider Business Transformation Programme ended on the 23rd of November 2020, once the final modules went live. It was agreed that several pieces of functionality, de-scoped from the Go Live period, would be delivered post go live as part of phase 2.

Phase 2 provides an opportunity to deliver tasks outstanding from phase 1, undertake housekeeping activity, deliver training and make continuous improvements. There have been some set backs, such as the Constabulary's partner organisation losing their expertise to deliver and support the Enterprise Planning Module, difficulties extracting and presenting data such as monthly budget monitoring reports and issues around the quality of accruals data required for year end purposes. However, the Constabulary has demonstrated that plans can be swiftly put in place and managed to address issues as they arise and move forwards with the project.

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:

- Decision making around the project is documented and supported by clear rationale e.g. areas to be progressed, postponed or removed from the project plan.
- Staff awareness and understanding of the new systems and processes, including report writing.
- Arrangements for identifying and progressing any outstanding tasks, further work and improvements.
- Scheduling, monitoring and reporting on progress on planned work.

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

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 Business Transformation Project: Finance (phase 2) provide **Reasonable 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.

Summary of Audit Findings and Recommendations

Controls were operating effectively in the following areas:

- A Design Authority group has been established to provide direction, oversight and leadership of phase 2 of the project. The Design Authority group meets on a monthly basis to oversee progress with outstanding tasks and improvement activity. The group regularly feeds into the Corporate Services Design Project Board within the wider governance structure.
- 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 (Risks, Assumptions, Issues and Decisions) Log for ongoing consideration and management. The RAID Log is presented to the Design Authority group on a monthly basis and the standing agenda confirms that time is allocated to reviewing and discussing the RAID Log at each meeting.
- A Design Authority Action Plan is in place that includes full task descriptions, responsibility for individual tasks, realistic target dates, status indicators and regular progress updates.
- Time for training on new systems and processes has been allocated and prioritised throughout the project. Recently, this has included a series of formal report writing courses with Oracle to adequately address issues around data extraction and the development of standard monthly and quarterly monitoring reports.
- Staff are provided with opportunities to test new systems, provide feedback, share experiences and identify improvements. Some training sessions have been deliberately scheduled over more than one week to give staff time to practice what they have learnt and take any queries or issues to the trainer at the following session so they can be addressed.
- Staff across Finance, Procurement and Central Services have jointly attended a number of End-to-End Process Workshops for a better understanding of each teams' responsibilities, priorities and issues. Processes covered include purchase order creation and budget setting.
- Arrangements are in place to communicate regularly with staff and keep them updated on project progress, including timescales. This includes 1:1 sessions with individual staff members, daily team catch ups and monthly department meetings with follow up emails to reinforce messages relayed where necessary.

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

| High | Medium | Advisory | Total |
|------|--------|----------|-------|
| 0 | 1 | 0 | 1 |

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:

- Improvements are required to strengthen the governance arrangements in terms of finalising the Design Authority terms of reference, providing greater transparency around decision making, keeping risks under regular review and plans to report to chief officers on project outcomes and benefits realised.

Advisory issues: None identified.

Temporary Deputy Chief Constable Comments

I note the findings of the audit and recognise that the implementation of the new finance system hasn't been straightforward and continues to present challenges. I am committed to ensuring that business systems operate in a streamlined and efficient manner to support the operation of the Constabulary. I will continue to monitor progress in improving the operation of the finance system through the performance review process.

Rob Carden

T/Deputy Chief Constable

Management Action Plan

Medium Priority

| Audit finding | Management response |
|---|--|
| <p>Governance Arrangements The audit review highlighted a number of issues around governance arrangements:</p> <p><u>Terms of Reference</u> A presentation was delivered to the Finance and Procurement Project Board in February 2021 setting out a proposed terms of reference for a Design Authority group (the Design Authority group is a project group to take the project forward into phase 2, progressing outstanding tasks and implementing improvements). The presentation sets out proposals for the group in terms of leadership, expectations and documentation. However, a final terms of reference document confirming these proposals and also setting out group membership, meeting frequency and accountability was not prepared. It would make sense to revisit the proposed terms of reference to fully clarify and finalise arrangements.</p> <p><u>Key Decisions</u> Minutes of Project Board meetings were taken during phase 1 of the Finance and Procurement project and they clearly demonstrated the level of discussion, scrutiny and challenge in support of decisions taken. However, minute taking was not continued into phase 2 of the project, as originally planned and set out in proposed terms of reference for the Design Authority.</p> | <p>Whilst terms of reference, an action plan and RAID log for the Design Authority are in place with the overall aim of ensuring continuous improvement in relation to the finance system, we will review the governance arrangements to ensure that they remain fit for purpose. This will include periodic updates as part of the benefits management process.</p> |

Internal Audit acknowledge that minute taking is no longer standard practice in the Constabulary. Instead, reliance is placed on project plans, action notes and decision logs to capture key activity and decision taking. Supporting documentation around the Design Authority gives an indication of decisions taken but minutes of meetings would provide a greater level of transparency and evidence of the discussions that have taken place. As a minimum action notes and decision logs should give sufficient commentary on discussions that took place.

Risk Register

The RAID Log is a standing agenda item for monthly meetings of the Design Authority and there is an expectation that all risk owners update the log prior to each meeting. The Design Authority Risk Register was last updated on 6 December 2021 and doesn't include a date for the next review. Given the challenges and delays experienced in implementing the new system it is important for risks to be reviewed and managed on a regular basis.

Accountability

Firm plans are not in place to report to Management Board once the project is fully implemented and to provide assurance to chief officers that improvements have been fully delivered and benefits realised. This issue was also identified in a recent audit review of the inventory management module of the Oracle Fusion System and a recommendation was made to address this issue and has been added to the 'Monitoring of Audit Recommendations' document presented to each meeting of the Joint Audit Committee (JAC).

Recommendation 1:

| | |
|---|--|
| <p>a) Management should ensure that project risks are reviewed on a regularly basis and a final report on outcomes and benefits realised is presented to the Management Board.</p> <p>b) Management should also consider finalising terms of reference for the Design Authority and making sure that if minutes are not taken at the Project Board that action notes and decision logs should give sufficient commentary on discussions that took place.</p> | |
| <p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Failure to achieve project (and strategic) objectives because governance arrangements around project delivery are inadequate. • Loss of reputation and trust arising from a failure to demonstrate transparency and fully record all key decisions. • Timely actions are not taken to address risks because risks are not being reviewed and managed on a regular basis. • Failure to demonstrate that the project has delivered expected results. | <p>Officer responsible for Implementing: Joint Chief Finance Officer</p> <p>Date to be implemented: 31/07/2022</p> |

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. |