

Summary Report

Essex Joint Audit Committee on Internal and External Audit Recommendations

Owners: Debbie Martin, Chief Finance Officer

Fiona Henderson, Director of Strategic Change & Performance

Contact: Claire Heath – Head of Continuous Improvement

Date: 02/06/2023



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Section 1: Internal Audit Recommendations presented to CFO to close, however outstanding evidence required before able to sign off

This section refers to action recommendations that have had evidence or closure updates attributed to them which have been presented to the CFO, however, has been agreed that further evidence or clarification is required for the recommendation to be fully met. Table format as per below with key information and updated estimated completion date.

Financial Year 2022/23

Special Constabulary – Recruitment & Retention (Essex) 09/02/2023: Priority Level **Low = 1**

Report No: 3.22.23	Management Action: 8	Action Owner: Jenny Brouard	Original Completion Date: 31/03/2023 Estimated Completion Date: 30/06/2023
Original Action: Owners/leads will be added to the Vision Workshop action tracker, and progress against actions will be monitored through an appropriate forum such as the SCRB. Items on the tracker will be reviewed to ensure they document clear, SMART actions.			
Update since last JAC (date of last audit committee 24/03/2023): The tracker has been updated with delegated leads to the various strands, however this was discussed at the Specials Command Meeting on Monday 22nd May which unfortunately Supt Edwards could not attend. On 7 June 2023, the Vision Structure will be discussed in more detail so the Specials Command Team are aware of the direction in which the Head of Command would like to be. The Specials Command Team will then work towards delivering the ambition. The updates on the trackers cannot be implemented by the Command until this meeting is held.			
Date of CFO review: 16/05/2023	Reason CFO could not sign off action as complete: Until the tracker has leads and shows updates this action cannot be signed off.		

Section 2: Internal Audit Summary

The attached summary sheet shows all reports outstanding. This summary report shows the total amount of high, medium and low recommendations per report as well as how many have been signed off for closure and how many remain outstanding or are awaiting implementation. Recommendations outside of their due date are highlighted in the last column.

Detailed updates on outstanding and overdue recommendations are under Section 1 and 3.

Of the 7 overdue management actions, 4 are Essex Police actions, none are Joint Essex/Kent Police actions and 3 are PFCC actions.

There have been 3 new reports published since the last meeting: Crime Allocation Rationale Assessment (CARA), Police Cadets - Safeguarding and IT Service Delivery & Demand Management Control Framework (Joint).

	Audit ID	Audit Report Title	County	Date Issued (Final)	Owner	Total Management Actions			Completed Management Actions			Management Actions Outstanding			Management Actions Over Due Date		
						High	Med	Low	High	Med	Low	High	Med	Low	High	Med	Low
2020/21	19.20.21	Expenses	Essex	25/05/2021	Debbie Martin	0	1	2	0	0	2	0	1	0	0	1	0
	2.21.22	Communications	Essex	17/11/2021	Gina Marden	0	2	2	0	2	1	0	0	1	0	0	1
	6.21.22	Procurement below £50k	Joint	17/08/2022	Katrine Beckett, David Jedrzejewski & Dave Levy	1	1	1	1	1	1	0	0	0	0	0	0
2021/22	11.21.22	Creditor Payments	Essex	14/06/2022	Katrine Beckett	0	1	2	0	1	1	0	0	1	0	0	1
	13.21.22	Victims' Code – Force Control Room and Resolution Centre	Essex	16/06/2022	DCI Lisa Norcott	2	3	6	2	3	6	0	0	0	0	0	0
	15.21.22	Payroll	Essex	19/10/2022	Philip Trebill & Karen Cansell	0	2	4	0	2	3	0	0	1	0	0	0
2022/23	1.22.23	Commissioning (PFCC)	Essex	08/12/2022	Jeremy White & Danielle Lawrence	0	2	1	0	0	0	0	2	1	0	2	1
	2.22.23	Follow Up 2022/23	Essex	09/02/2023	T/D/CI Nikki Metson	0	3	0	0	3	0	0	0	0	0	0	0
	3.22.23	Special Constabulary – Recruitment and Retention	Essex	09/02/2023	Jenny Brouard, Derek Hopkins & Sarah Wright	0	4	5	0	4	4	0	0	1	0	0	1
	3.22.23	IT Service Delivery and Demand Management Control Framework	Joint	31/05/2023	Jules Lawson & Fiona Brown	0	3	4	0	0	0	0	3	4	0	0	0
	6.22.23	Crime Allocation Rationale Assessment (CARA)	Essex	05/05/2023	Kathryn Rout, T/DCI Nikki Metson & Ch/Supt Stuart Hooper	0	1	3	0	1	1	0	0	2	0	0	0
	9.22.23	Police Cadets - Safeguarding	Essex	26/05/2023	ACC Andrew Mariner	3	0	2	0	0	0	3	0	2	0	0	0
TOTALS						6	23	32	3	17	19	3	6	13	0	3	4
						61			39			22			7		

NB: Above table shows all current outstanding reports as of 02/06/2023. Any audits completed and approved/signed off by CFO Debbie Martin since the last report on 13/03/2023 are marked in bold.

Section 3: Internal Audit Reports and Recommendations Outside of Due Dates (No evidence)

This section refers to action recommendations that have had no evidence or closure updates attributed to them for CFO sign off and which have fallen outside of their originally agreed completion due date.

Table format as per below with key information and latest dated updates rated from high to low in order as well as revised estimated completion date.

Financial Year 2020/21

Expenses (Essex) 25/05/2021: Priority Level **Medium = 1**

Report No: 19.20.21	Management Action: 1	Action Owner: Debbie Martin	Original Completion Date: 30/09/2021 Estimated Completion Date: 30/09/2023
Original Action: We will review the Travel and Associated Transport Policy and supporting procedure notes to ensure they align with current practice. This will be undertaken on a frequent basis going forwards. In addition, we will update the Mileage Procedure to reflect the Business Services requirements for mileage claim receipt value and periods covered.			
Update since last JAC (held on 24/03/2023): G1600 Travel and Associated Transport has seven procedures. Three are up to date, these are G1601 Mileage, G1605 Car Provision Scheme and G1606 Travel and Accommodation. In terms of the remaining policies these are actively being worked on. These are G1602 Travel, which is out for consultation, G1603 Excess Travel, Dartford River Crossing, G1607 Other Allowances and G1607 Subsistence which is subject to a working group. The postholder responsible for writing these procedures was vacant. The new postholder and the CFO are working together to clear the backlog.			

Financial Year 2021/22

Communications (Essex) 17/11/2021: Priority Level **Low = 1**

Report No: 2.21.22	Management Action: 4	Action Owner: Gina Marden	Original Completion Date: 30/04/2022 Estimated Completion Date: 30/09/2023
Original Action: We will continue to review and remove accounts with little activity, so that only active accounts remain.			
Update since last JAC (held on 24/03/2023):			

We now have 28 remaining accounts to delete, and this work continues within our team. Of note Twitter itself has announced that it will be archiving inactive accounts so whilst our work continues some of these may be naturally archived, but our intention remains to permanently remove them. We have successfully implemented Orlo our new social media management tool, and this is currently being rolled out across our district level accounts. This will leave Essex Police with a strong portfolio of effective and trusted social media accounts that fit with our communications strategy and that all help build unity with the public, prove our value, and share excellent police outcomes. Our aspiration for completion is by Autumn, our original aspiration of April 2023 has been extended due to the need to onboard and roll out Orlo.

Creditor Payments (Essex) 14/06/2022: Priority Level Low = 1

Report No: 11.21.22	Management Action: 2	Action Owner: Katrine Beckett	Original Completion Date: 30/09/2022 Estimated Completion Date: 30/06/2023
Original Action: Corporate Finance and 7 Force Commercial will investigate how compliance reporting for the processing of purchase orders can be introduced across the Force.			
Update from last JAC (held on 24/03/2023): Commercial Services have confirmed that this action cannot be completed as they are awaiting a new system (Artamis) which is being implemented at the start of the financial year. Reports will be available when the system is in place.			
Further Update 01/06/2023: Commercial Services have advised that the Artemis system is now in place and running. The functionality of the system, however, will not be able facilitate this audit action. As a result, a new solution is to be sought. This will start with the SAP team, to determine if there is a readily available solution.			

Financial Year 2022/23

Commissioning (PFCC) 08/12/2022: Priority Level Medium = 2

Report No: 1.22.23	Management Action: 2	Action Owner: Danielle Lawrence	Original Completion Date: 31/12/2022 Estimated Completion Date: 30/06/2023
Original Action: We will retain evidence of agreements with grant recipients which include requirements for monitoring reports and service specification. See also action 3.			
Update from last JAC (held on 24/03/2023): In progress. Up to date with monitoring returns. Commissioning officer overhauling the new lens on processes and procedures following audit in December 2022. Looking over the previous 6 months 80% complete. Client Record management system (Salesforce) to be implemented.			
Further Update 02/06/2023:			

No progress due to staff vacancy.

Report No: 1.22.23	Management Action: 3	Action Owner: Danielle Lawrence	Original Completion Date: 31/05/2023 Estimated Completion Date: 30/06/2023
Original Action: Grants over £50k will undergo a formal performance evaluation with evidence retained of the review and scrutiny provided by the PFCC of grants in achieving their objectives. This will include setting SMART targets for grants within the grant agreements to track benefit realisation.			
Update since last JAC (held on 24/03/2023): No progress due to staff vacancy.			

Commissioning (PFCC) 08/12/2022: Priority Level **Low = 1**

Report No: 1.22.23	Management Action: 1	Action Owner: Janet Perry	Original Completion Date: 31/12/2022 Estimated Completion Date: 30/06/2023
Original Action: The Commissioning Strategy will be finalised and approved.			
Update from last JAC (held on 24/03/2023): The strategy went to SMT in November 2022 but was not considered due to other urgent matters. It is going to SMT again in March 2023. Further Update 02/06/2023: No progress due to staff vacancy.			

Section 4: External Audit Actions - Summary

The attached summary sheet shows all actions reflected in the most recent Audit Findings Report (AFR) from Grant Thornton. These actions relate to the findings following the conclusion of the external audit process in relation to the most recent (2021/22) Statement of Accounts review. This summary report shows the total amount of high, medium and low actions from the AFR per report as well as the status of these actions, based on an assessment by the action owner.

More detailed updates on these actions are included in Section 5.

Year	Audit Recommendation Title- AFR 2021/22	Audit Assessment	County	Date Originally Issued	Owner	Progress Assessment - June 2023
2019	Third Party Monies	Medium	Essex	November 2020	Debbie Martin	Not Proposing to adopt
2020/21	Legal Claims Estimation Process	Medium	Essex	October 2021	Matt Tokley	Under review
	Contingent Liability Assurance	Medium	Essex	October 2021	Matt Tokley	On target
	Controlled Procedures Performed Over the PPE Valuation Rolling Programme	Medium	Essex	October 2021	Matt Tokley	On target
2021/22	Threshold for Asset Valuation Reviews	High	Essex	February 2023	Matt Tokley	On target
	Fully Depreciated Assets Derecognition	Medium	Essex	February 2023	Matt Tokley	On target
	Unreconciled Creditor Accounts	Medium	Essex	February 2023	Matt Tokley	Under review

Section 5: External Audit Actions - Detail

This section provides further detail of each of the external audit recommendations and the progress made against each of these.

Financial Year 2021/22

Third Party Monies (Medium)

AFR year: 2021/22 (b/f from 2019/20)	AFR Page: 32	Action Owner: Matt Tokley	Original Completion Date: N/A Estimated Completion Date: N/A
Original Action: POCA third party cash is co-mingled in the PFCC operational bank accounts from which payments and investments are made. As at 31 March (2021), the POCA cash co-mingled in operational bank accounts was circa £2.1m. In co-mingling third party monies, the PFCC is benefiting from several cashflow benefits, namely: higher interest rates on investments; and reduced interest payments because the increased liquidity could result in the Authority not needing to borrow when it otherwise would. Given that the third-party cash does not belong to the PFCC, we recommend that management set up a separate non-operational bank account for third party cash to be deposited and maintained. In doing so, the PFCC would no longer inappropriately benefit from cash which is not theirs.			
Management Response: Third party monies continue to be co-mingled in the PFCC's bank account. The total amount as at 31 st March 2022 was £4,015,000. The PFCC has considered our recommendation and taken the decision not to implement having considered the associated risks and benefits.			
Updated Response: There is no proposed change of approach to the current process of co-mingling seized monies within the PFCC's bank accounts.			

Legal Claims Estimation Process (Medium)

AFR year: 2021/22 (b/f from 2019/20)	AFR Page: 30	Action Owner: Matt Tokley	Original Completion Date: 2021/22 Estimated Completion Date: 2023/24
Original Action: Management have historically applied a 25% reduction to the value of legal claims in estimating the provision on the balance sheet. Our work identified that management had not performed an assessment to support and justify this assumption. It is recommended that management carry out an assessment to determine what reduction (if any) ought to be applied to the value of claims provided by your insurance expert and ensure this assumption is supported with appropriate evidence. This assessment should be carried out sufficiently regularly to ensure the assumption remains appropriate.			
Management Response:			

Agreed.

Updated Response:

Work has been undertaken to try and resolve this action, ever since the original AFR finding was agreed in 2020/21. This included an assessment of a number of high value open claims based on their estimated value at 2021/22 year-end compared to their actual settlement values. A similar process has also been progressed at 2022/23 year-end but to date this has yet to be completed. Based on the work completed so far, the results have been inconclusive with nothing to support a change to the currently applied 25% discount factor approach.

Contingent Liability Assurance (Medium)

AFR year: 2021/22 (b/f from 2020/21)	AFR Page: 31	Action Owner: Matt Tokley	Original Completion Date: 2021/22 Estimated Completion Date: 2022/23
Original Action: Management have made a decision to reverse a provision on the PFCC balance sheet despite not receiving sufficient supporting evidence to form a conclusion compliant with the relevant accounting standard (IAS 37). Management should obtain sufficient evidence from its legal department to carry out a full assessment under IAS 37 to determine: whether a provision exists under IAS 37, the best estimate as to the value of the provision under IAS 37, and what disclosure, if any, is required in terms of contingent liabilities.			
Management Response: Agreed.			
Updated Response: Whilst management agreed to follow up on the action set out in the AFR it nonetheless disagreed with the auditor view that the provision was reversed in 2020/21 without the application of IAS 37 guidance (this related to the Allard-related legal claims). The issue actually related to a disagreement between auditor and client in respect of the underlying information used for the decision-making process by management. In 2021/22 the Allard position was substantially unchanged in terms of uncertainty and management therefore chose to not amend its existing accounting presentation. Subsequently, based on work undertaken for the 2022/23 unaudited accounts, and a review of the updated position, it is felt that significant uncertainties remain in respect of both the value of, and the number of potential claims, meaning a contingent liability continues to be recognised rather than a provision. This accounting approach will be discussed and agreed with the auditors during the upcoming engagement.			

Control Procedures Performed Over the PPE Valuation Rolling Programme (Medium)

AFR year: 2021/22 (b/f from 2020/21)	AFR Page: 31	Action Owner: Matt Tokley	Original Completion Date: 2021/22 Estimated Completion Date: 2022/23
Original Action: The PFCC revalues its Land and Buildings on a five-year rolling programme. As part of our work in 2020/21 we identified two assets which, whilst valued in 2020/21, had not been revalued in more than five years. The processes and controls management have put in place did not ensure compliance with the five-year rolling programme in these instances. Management should strengthen existing processes and controls to ensure compliance with the five-year rolling programme. We would expect this to include a reconciliation of records in the			

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fixed asset register to the estates system. Furthermore, the date of last valuation should be stored within the fixed asset register.

Management Response:

Agreed.

Updated Response:

The auditor stated in the 2021/22 AFR that despite management not providing a reconciliation to support this assumption, they were satisfied that all assets had been included in the valuation programme for 2021/22 and nothing was missing. From a client perspective it is agreed that supporting evidence to demonstrate the revised controls now implemented between Estates and Corporate Finance has not yet been provided and this will be actioned during the 2022/23 closedown/audit process. It should nevertheless be noted that the recommendation in respect of adding a valuation date to each asset in the asset register is not achievable at the current time due to the system limitations of SAP.

Threshold for Asset Valuation Reviews (High)

AFR year: 2021/22	AFR Page: 31	Action Owner: Matt Tokley	Original Completion Date: 2022/23 Estimated Completion Date: 2022/23
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Original Action:

Management should consider lowering the threshold for investigation of asset valuation movements from 25% to a level that would identify material issues. Additionally, this assessment should use the GBV prior to revaluation which takes account of any movements since the last valuation date such as capital additions and transfers from the assets under construction register.

Management Response:

This recommendation is agreed. In order to give more time to the valuations exercise for the 22/23 Statement of Accounts, both in respect of the processing time and subsequent review process, a revised valuation date of the 31st January 2023 has been adopted, one month earlier than the equivalent date for the 21/22 accounts. In respect of the aforementioned review process, the gross valuation basis will be used to compare to new valuations, with all movements investigated where they equate to either the lower of 15% or £1m.

Updated Response:

This recommendation has been adopted within the 2022/23 Statement of Accounts process and it is fully expected that the action will be discharged within the next Audit Findings Report.

Fully Depreciated Assets Derecognition (Medium)

AFR year: 2021/22	AFR Page: 28	Action Owner: Matt Tokley	Original Completion Date: 2022/23 Estimated Completion Date: 2022/23
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Original Action:

Management should carry out an exercise at least annually to assess whether any fully depreciated asset is no longer in use. This process will involve representation and work from other parts of the business i.e. Estates and IT.

Management Response:

This recommendation is agreed. Whilst the work undertaken to derecognise £9.2m of these assets in the 21/22 accounts have significantly alleviated the issue, management agree that the remaining assets need to be thoroughly reviewed to check for any no longer in use or which need to have their useful economic lives reviewed. Management will undertake its standard asset existence process in advance of 22/23 year-end, and look to write out any erroneous balances at the earliest opportunity. This will not result in any bottom line impact to the PFCC. Furthermore, the relevant accounting policy has now been updated to reference that derecognition processes will be adopted as standard where an asset has exceeded a specific time period, and where management can no longer verify its existence and/or value.

Updated response:

A significant amount of work was undertaken to rectify these issues in the 2021/22 Statement of Accounts, and despite the short proximity of time since the completion of these accounts and the 2022/23 process commencing, work has continued in respect of dealing with some of the remaining issues. Therefore, whilst there may be some minor asset write out balances still required after 2022/23 year-end, it is fully expected that no material issues will remain in respect of fully depreciated assets within the final 2022/23 audited accounts.

Unreconciled Creditor Accounts (Medium)

<p>AFR year: 2021/22</p>	<p>AFR Page: 29</p>	<p>Action Owner: Matt Tokley</p>	<p>Original Completion Date: 2022/23 Estimated Completion Date: 2023/24</p>
<p>Original Action:</p> <p>The first step is for management to clearly identify the different holding accounts on your creditor codes. For each, a control account reconciliation should be performed. We expect this account reconciliation to identify legacy balances that require writing off. Having done this exercise, management should continue to monitor these holding accounts on a semi-regular basis.</p> <p>For next year's audit, instead of producing a full general ledger transaction history of these balances dating back to 2012 – management should provide the auditors with just the control account which shows only those open liabilities at year end of testing. The net figure however should reconcile to that on the general ledger.</p>			
<p>Management Response:</p> <p>This recommendation is agreed. For 2022/23 year-end the creditor balances will be cleansed and re-posted into a different accounting period which will enable management to provide a breakdown of creditors to the auditors which does not require the inclusion of legacy balances. It is expected that this will provide a solution to the system-related issues which have meant that historic years' balances have been included in transaction listings provided to the auditors. Whilst management acknowledge that there are some creditor balances which may need to be written off as part of this exercise it does not expect the impact to be material.</p>			
<p>Updated Response:</p> <p>This work is ongoing and will not be fully completed in time for the 2022/23 Statement of Accounts based on the amount of work involved. A full review of the Balance Sheet is ongoing with some of the areas progressed, but not all. It is nevertheless hoped that the work can be fully completed in time for a relevant update to be able to be supplied to the external auditors for inclusion in their 2022/23 AFR.</p>			