

Office of the Police and Crime Commissioner for Leicestershire and the Office of Chief Constable for Leicestershire

Internal Audit Annual Report – Year ended 31 March 2014

Presented at the Joint Audit, Risks and Assurance
Panel meeting of: 23 September 2014

Daniel Harris

Baker Tilly Risk Advisory Services LLP

1 Internal Audit Opinion

1.1 Context

As the provider of the internal audit service to the Office of the Police and Crime Commissioner for Leicestershire and the Office of the Chief Constable for Leicestershire we are required to provide the Section 151 Officers and the Joint Audit, Risk and Assurance Panel an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In line with the Financial Management Code of Practice published by the Home Office, both the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC) must have an internal audit service, and there must be an audit committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the Chief Constable, and summarises the work undertaken during 2013/14.

As your internal audit provider, the assurance and advisory reviews that Baker Tilly Risk Advisory Services LLP (Baker Tilly) provides during the year are part of the framework of assurances that assist the PCC and Chief Constable prepare informed annual governance statements.

1.2 Internal Audit Opinion 2013/14

Office of the Leicestershire Police and Crime Commissioner

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Leicestershire Police and Crime Commissioner's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Leicestershire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Office of the Leicestershire Chief Constable

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Leicestershire Chief Constable's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Leicestershire Chief Constable has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

1.3 The Basis of the Opinion

1.3.1 Governance

An audit of Governance for both the Office of the Police and Crime Commissioner and Office of the Chief Constable was undertaken during the year which resulted in a Green (substantial) assurance opinion for both entities. We found that the governance framework was established and new Strategic Assurance Board (previously the Executive Board) was established and the Terms of Reference were agreed. These meetings were chaired by the PCC and used to set the strategic direction for Leicestershire Police and for monitoring progress against the Plan. Meetings were also held in public with the aim of providing greater transparency.

The OPCC and OCC have established a Joint Audit, Risk and Assurance Panel (JARAP). The Terms of Reference were submitted and endorsed by the Panel including the last review in March 2014. In addition, we confirmed that an external Police and Crime Panel had been established. Terms of Reference had been agreed and the Panel had been meeting since 23 November 2012. We confirmed that Minutes of these meetings were available and accessible on the OPCC website.

We found that a programme of work for Stage 2 transfer had been developed and was being implemented, led by the OPCC Chief Executive and the OCC Director of Human Resources, which aimed to ensure that an appropriate outcome was reached in accordance with Home Office deadlines.

We concluded that the governance arrangements in place for both the OPCC and the OCC were adequate and effective.

1.3.2 Risk Management

We undertook a review during the year of the Risk Management arrangements in place for the OCC and OPCC which resulted in an Amber/Green (reasonable) assurance opinion for each entity.

We found that the OPCC Organisational Risk Management Policy had been updated and that a separate OPCC Risk Strategy document was also in place. Risk management reporting was found to be regular and sufficient.

A strategic risk register was held for Leicestershire Police Force that was managed by the Force Risk and Business Continuity Co-ordinator with reporting on risk being undertaken to the various Senior Management Team's (SMT) and the Strategic Operational Risk Board (SORB).

A corporate risk register was also held for the OPCC that was managed by the Chief Finance Officer (CFO OPCC) with reporting being undertaken to the OPCC SMT. .

We identified two areas for improvement, the first related to the development of a formal risk training programme and the second was in relation to identifying areas of assurance that can be used to validate that controls identified to manage/mitigate risks are working effectively. Testing has confirmed that work has started to develop an assurance framework, but this has not yet included risk management areas.

We concluded that the risk management arrangements in place for both the Office of the Police and Crime Commissioner and the Officer of the Chief Constable were adequate and effective.

1.3.3 Control

Two advisory and thirteen other assurance audit reports were issued across the OPCC and Force in 2013/14. These comprised of seven Green (substantial), five Amber Green (reasonable) and one Amber Red (some) assurance opinions. The Amber Red opinion was on the Collaborative review of Governance & Financial Framework which was completed across the East Midlands Collaboration.

We concluded that the control arrangements in place for both the Office of the Police and Crime Commissioner and the Officer of the Chief Constable were adequate and effective.

1.3.4 Acceptance of Recommendations

All except two low priority recommendations made during the year were accepted by management and we have accepted management's responses in these areas.

1.3.5 Progress made with previous internal audit recommendation

Our follow up of the recommendations made previously, including those that were outstanding from previous years, showed that the organisation had made adequate progress in implementing the agreed recommendations.

1.3.6 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2 Our Performance

2.1 Wider value-adding delivery

As part of our client service commitment, during 2013/14 we have:

- Issued client updates and general briefings during the year.
- Provided benchmarking within our reports on the number and category of recommendations and assurance opinions across organisations similar to yourselves.
- Undertaken joint reviews with your collaborative partners to provide a joint assurance opinion including the Governance Framework.
- Undertaken both advisory and assurance reviews across both Corporations Sole as part of the establishment of the new Governance and Risk Management arrangements. This included sharing best practice across the sector through our work.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public and private sector to provide areas for consideration.
- We have undertaken advisory reviews during the implementation of new processes including Zanzibar.
- Regular contact including JARAP pre-meets and ad-hoc telephone calls and queries as required.

2.2 Conformance with Internal Audit Standards

Baker Tilly affirms that our internal audit services to the OPCC for Leicestershire and the OCC for Leicestershire are designed to conform with the Public Sector Internal Audit Standards (PSIAS) which came in to effect from 1 April 2013.

Under the standards, internal audit services are required to have an external quality assessment at least once every five years. During 2011 our Risk Advisory service line commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA). The PSIAS are based upon the IPPF, and therefore we are confident that the results of this review apply to our continuing services in the sector.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

2.3 Conflicts of Interest

During 2013/14 our Business Advisory Department has provided support to the OPCC in relation to Governance and Commissioning. We (Baker Tilly) do not consider this would lead us to declare any conflict of interests as these have been completed under separate engagement letters and Engagement Partners.

Appendix A: Internal Audit Opinions and Recommendations 2013/14

Audit	Opinion	Actions Agreed (by priority)		
		High	Medium	Low
Payroll Provider Review	Green	0	0	2
Health and Safety	Amber / Green	0	1	3
Zanzibar (P2)	Advisory	1 not prioritised		
Winsor Review - Payments for Unsocial Hours	Green	0	0	0
Human Resources - Absence Management	Amber / Green	0	3	4
Publication Scheme	Advisory	6 not prioritised		
Collaboration - Governance & Financial Framework (This audit includes a contribution from each of the East Midlands Audit Plans and has been reported across each of these)	Amber / Red	0	5	2
Change Programme	Amber / Green	0	1	5
Risk Management	Force Amber / Green OPCC Amber / Green	0	2	4
General Ledger	Green	0	0	1
Payroll and Expenses	Green	0	1	0
Budget Setting, Control, Monitoring and Reporting	Green	0	0	0
Follow Up of Previous Internal Audit Recommendations 2012/13 & 2013/14	Adequate	0	1	4
Monitoring and Delivery of the Police and Crime Plan	Green	0	0	2
Governance	Force Green OPCC Green	0	0	5
Mobile Device Security	Amber / Green	0	2	4
Total		0	16	36

We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the OPCC & CC cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the OPCC & CC can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the OPCC & CC can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the OPCC & CC can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

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.

Baker Tilly Risk Advisory Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.