



# Office of the Police & Crime Commissioner for Leicestershire and Leicestershire Police

## Internal Audit Annual Report 2019/20

July 2020

This report has been prepared on the basis of the limitations set out on page 13.

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# 01 Introduction

## Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across the Office of the Police and Crime Commissioner (OPCC) for Leicestershire and Leicestershire Police during the 2019/20 financial year to date, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011. The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.

Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Joint Audit, Risk & Assurance Panel (JARAP), with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.

Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

## Covid-19

The Covid-19 global pandemic has impacted all organisations as the UK enforced lockdown restrictions and closed organisations across the country in a bid to protect public health. Whilst the Police and OPCC remained open for business the lockdown has resulted in changes to the way the organisations works, such as remote working, and will inevitably have varying impacts upon the control framework that is in place. Due to the timing of the lockdown audit had already completed all but one of the 2019/20 internal audits, we were able to complete this audit remotely with no impact on our ability to complete the work. However, it should be noted that the assurance provided is based on the control environment that we reviewed during 2019/20 and the on-going impacts on the control environment will be included within the 2020/2021 annual internal audit report.

## 02 Head of Internal Audit Opinion

### Opinions

Based on the Internal Audit work undertaken for Leicestershire to date, in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31<sup>st</sup> March 2020, we can provide the following opinions, however these are subject to finalisation on the completion of all planned IA work scheduled for 2019/20 and the outstanding work is highlighted within this draft report:



## Basis of the Opinion

Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.

### Corporate Governance

Whilst a specific audit of Corporate Governance was not carried during 2019/20, as part of the 2018/19 Internal Audit plan we undertook an audit of the controls and processes in place in respect of corporate governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation's objectives at risk.

Through the delivery of the internal audit plan and attendance at JARAP and Strategic Operational Risk Board (SORB) meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31<sup>st</sup> March 2020.

### Risk Management

Whilst a specific audit of risk management was not carried during 2019/20, as part of the 2017/18 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; programme assurance; reporting arrangements and follow up of previous recommendations. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although we highlighted some areas where improvements to the control environment could be made. Overall risk management within the Force and OPCC is deemed effective and controls and processes tested were being consistently applied. This area is due to be audited as part of the 2020/21 internal audit plan.

Additionally, during the course of delivering the 2019/20 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

## Internal Control

As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2019/20 year, all 15\* internal audits were rated either 'significant' or 'satisfactory' with regards our assurance opinion. In addition, the three collaborative audits covering the East Midlands are still to be finalised.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2019/20, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits. More details of the audit opinions and the priority of recommendations for all 2019/20 Internal Audit assignments is provided in Appendix A1 – Audit Opinions and Recommendations.

### Leicestershire Only

Assurance Gradings	2019/20		2018/19	
Significant	6	34%	4	25%
Satisfactory	12	66%	12	75%
Limited	0	0%	0	0%
Nil	0	0%	0	0%
<b>Total</b>	<b>16</b>		<b>16</b>	

### Collaboration Audits

Assurance Gradings	2019/20		2018/19	
Significant	0	0%	0	0%
Satisfactory	1**	100%	3	100%
Limited	0	0%	0	0%
Nil	0	0%	0	0%
<b>Total</b>	<b>1*</b>		<b>3</b>	

\*Two reports still to be issued as final.



## Issues relevant to Annual Governance Statement

The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement. As part of this responsibility, we have highlighted any limited or nil assurance reports within Appendix A2.

## Restriction placed on the work of Internal Audit

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.

## 03 Performance

The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter.

No	Indicator	Criteria	Performance
1	Annual report provided to the JARAP	As agreed with the Client Officer	Achieved
2	Annual Operational and Strategic Plans to the JARAP	As agreed with the Client Officer	Achieved
3	Progress report to the JARAP	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	100% (12/12)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (12/12)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (12/12)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (2/2)

## Quality and Conformance with the Public Sector Internal Audit Standards

In addition to the firm's overall policy and procedures, our internal audit manual and working papers are designed to ensure compliance with the Firm's quality requirements. Furthermore, our internal audit manual and approach are based on professional internal auditing standards issued by the Global Institute of Internal Auditors, as well as sector specific codes such as the Public Sector Internal Audit Standards.

Our methodology and work has been subject to review as part of our internal Quality Assurance Reviews undertaken by our Standards and Risk Management team as well as external scrutiny by the likes of external auditors, as well as other regulatory bodies. No adverse comments have been raised around our compliance with professional standards or our work not being able to be relied upon.

## Appendix A1 - Audit Opinions and Recommendations 2019/20

Leicestershire 2019/20 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Pension Provider	Final	Significant			1	1
Workforce Planning & Absence Management	Final	Satisfactory		2		2
Recruitment	Final	Satisfactory		3		3
Complaints Management	Final	Satisfactory		2	1	3
Custody Arrangements	Final	Satisfactory		2	1	3
Partnerships	Final	Satisfactory			4	4
Core Financials	Final	Significant				
• Payments & Creditors		Satisfactory		1		1
• General Ledger		Significant				
• Cash & Bank		Significant				
• Income & Debtors		Significant				
Payroll	Final	Significant			1	1
Payroll Provider	Final	Satisfactory		1	2	3
Budget Control	Final	Satisfactory		1		1
Learning & Management Development	Final	Satisfactory		1	2	3
Project / Benefit Realisation	Final	Satisfactory		1		1
<b>Total</b>				<b>14</b>	<b>12</b>	<b>26</b>

Collaboration Audits 2019/20	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Performance Management	Final	Satisfactory		1	4	5
Health & Safety	Draft					
Business Continuity	Draft					
<b>Total</b>						

## Appendix A2 - Audit Projects with Limited and Nil Assurance 2019/20

There were no audit projects with limited or nil assurance for Leicestershire Police or Office of the Police & Crime Commissioner for Leicestershire.

## Appendix 3– Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Appendix A4 - Contact Details

**Contact Details**

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## Appendix A5 - Statement of Responsibility

### **Status of our reports**

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

*The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.*