

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

Internal Audit Progress Report

JARAP meeting 23 September 2014

## Introduction

The internal audit plan for 2014/15 was approved by the Joint Audit, Risk and Assurance Panel in March 2014. This report provides an update on progress against that plan and summarises the results of our work to date.

We have **finalised four reports** since our last meeting and these are shown in bold in the table below. We have also issued one further draft report which is awaiting management comment.

### Summary of Progress against the 2013/14 Internal Audit Plan

Assignment Reports considered today are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
<b>Follow Up (12.13/14)</b>	<b>FINAL</b>	<b>Adequate Progress</b>	<b>0</b>	<b>1</b>	<b>4</b>
<b>Governance (14.13/14)</b>	<b>FINAL</b>	<b>Green</b>	<b>0</b>	<b>0</b>	<b>5</b>

### Summary of Progress against the 2014/15 Internal Audit Plan

Assignment Reports considered today are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
<b>Payroll Provider Review (1.14/15)</b>	<b>FINAL</b>	<b>Green</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estates Management (2.14/15)</b>	<b>FINAL</b>	<b>Green</b>	<b>0</b>	<b>0</b>	<b>3</b>
Seized / Found Property (3.14/15)	Draft issued 10/07/14				
Collaboration – Efficiency Savings Plans (as part of a joint review)	(22/09/14)				
Risk Management	(04/11/14)				
Cash, Banking & Treasury Management	(08/12/14)				
Payments, Creditors & Procurement	(08/12/14)				
Key Financial Controls Walkthrough (If changes are identified this may result in addition work required for the External Audit)	(09/12/14)				
Asset Management	(15/12/14)				
Change Programme	(25/02/15)				
Commissioning	(16/02/15)				
Governance	(03/03/15)				
Performance Management	(02/03/15)				
Follow Up	(12/03/15)				
ICT Review	TBC				
Human Resources	Delayed to Q4 and to be combined with Derbyshire Police				

## OTHER MATTERS

**Planning and Liaison:** We have met with management to discuss the progress of the 2014/15 audit plan and scope the reviews for 2014/15.

The Joint Audit, Risk and Assurance Panel should note that the assurances given in our audit assignments are included within our Annual opinion. In particular the Panel should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified annual opinion.

No common weaknesses have been identified within our final reports so far for 2014/15.

### Internal Audit Plan 2014/15 - Change Control:

There have been no changes to the Audit Plan since the last Committee. We have been requested by management to delay the following reviews Human Resources (previously Q2) and Change Management (previously Q2)

### Internal Audit Team:

Daniel Harris, Partner - Head Of Internal Audit

Suzanne Lane, Senior Manager

### Completion of 2014/15 Internal Audit Plan (as at 31/08/2014)

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TOTAL YEAR ALLOCATION	155 DAYS
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<b>Year to date used</b>	<b>32 DAYS</b>
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EXPECTED TOTAL DAYS	155 DAYS *
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### Information and Briefings:

#### Police Risk Register Analysis – August 2014

In this publication we have provided an analysis of the contents of police risk registers, including those of Office of the Police & Crime Commissioners (OPCC) and Police Forces. This analysis provides valuable insight and intelligence of the current risk landscape facing the policing sector.

#### Emergency Services News Briefing - August 2014

- Policing in austerity: Meeting the challenge
- Consultation on HMIC's programme for regular force inspections
- Reform of anti-social behaviour powers, statutory guidance for frontline professionals
- Home Office guidance: Police officer misconduct, unsatisfactory performance and attendance management procedures
- Preparing for the National Fraud Initiative 2014/15

#### Local Government News Briefing - July 2014

- Home Office unveils new police corruption offence
- Collaboration - the bigger reward

- Making savings from contract management
- The National Fraud Initiative

Local Government News Briefing - June 2014

- CIPFA Conference - Risk, Resilience, Reform: Creating a Sustainable Future
- National Fraud Initiative, June 2014 report
- Serious Crime Bill

## Key Findings from Internal Audit Work (High and medium recommendations only)

Assignment: Follow Up (12.13/14)	Opinion: H - 0 M - 1 L - 4	<b>Adequate Progress</b>	
<p><b>Key Findings</b></p> <p><b>Conclusion</b></p> <p>Taking account of the issues identified in the report, in our opinion the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have demonstrated adequate progress in implementing actions agreed to address internal audit recommendations.</p> <p>There are no medium recommendations that we consider to be receiving inadequate management attention. However, there are still outstanding issues in relation to Absence Management including record keeping and completion of Return to Work Interviews. This has been reported to the Panel by management and remains an outstanding issue, therefore we have not included further recommendations within this report.</p> <p>We have reiterated recommendations where these have not yet been implemented. In addition, we have made new recommendations where appropriate; these are detailed in the action plan.</p>			
<b>Implementation Status by Review</b>			
Review	Total No. of recs agreed.	Audit work confirmed as completed or no longer necessary	No of recs carried forward for follow up at next review
Health and Safety	5	3	2
HR - Absence Management	7	6	1
Change Programme	6	3	3
Performance Management	3	1	2
Follow up (Part 2) 12/13	3	1	2
I.T. Disaster Recovery	1	1	0
<b>Totals</b>	<b>25</b>	<b>15</b>	<b>10</b>
%	<b>100%</b>	<b>60%</b>	<b>40%</b>
Action	Management Response	Date	Responsible Officer
<b>Rec 1.7 – Medium Follow Up 14.12/13</b>	Herts Police are currently trialling a KiM Management Information Module; it is expected that testing on the module should be	By September 2014	Delivering Justice Dept.

<p><b>Revised recommendation:</b></p> <p>Plans to introduce the Management Information Module in the KiM property system should be progressed to implementation, used as a mechanism to provide reports to address the numbers of outstanding items 'booked out to Officers' and facilitate the reduction of these items to a manageable level. Actions to address the volume of items could then include for example:</p> <ul style="list-style-type: none"> <li>• Generating reports from the KiM MI Module that list the 'top ten' officers with items booked out to them so they can be reviewed in priority order.</li> </ul> <p>Reviewing items booked out in order of value to establish if the 'booked out' status is accurate.(Medium)</p>	<p>complete by June '14 resulting in a roll out to other Forces in Q3.</p> <p>This will enable greater management of property by LPU; and can then be used as a tool to address issues such as the highest number of items of property signed out to particular officers as a means of a performance measure.</p>		<p>[Emma Corns]</p>
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<p><b>Assignment: Governance (14.13/14)</b></p>	<p><b>Opinion:</b> H - 0 M - 0 L - 5</p>	<p><b>GREEN</b></p>
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<p><b>Key Findings</b></p> <p><b>Design of control framework</b></p> <p>We found that the following controls were designed adequately:</p> <ul style="list-style-type: none"> <li>• A Corporate Governance Framework has been drawn up and approved by the Strategic Assurance Board. Work is currently being conducted to update the framework and will be presented to the March meeting of JARAP. The Corporate Assurance Framework is seen as the basis for the secure and robust operation of the two corporate soles.</li> <li>• Appropriate Terms of Reference for all of the associated boards and committees have been set up with the exception of the Executive Group and this has been reviewed as work in progress. It should be noted that the Terms of Reference for JARAP concur generally with the suggested requirements of the Audit Committees \ Practical Guidance for Local Authorities and Police (2013 edition) although the actual wording is in some aspects different, no significant gaps were identified.</li> <li>• Mechanisms have been established to hold the Chief Constable to account for service/performance delivery.</li> <li>• A Corporate Risk Register is held by the OPCC and records the strategic risks associated with the organisation. The there is also a joint high level risk register with both the OPCC and the Force risks being reported via the Strategic Operational Risk Board to JARAP.</li> <li>• There is a clear schedule that covers all meetings relating to governance within the OPCC. There is no fixed schedule of meetings for the force but this is being worked upon.</li> <li>• All formal decisions made by the Police and Crime Commissioner are logged on an OPCC Decision Log. This is published on the OPCC web site when the PCC has ratified the decisions.</li> <li>• At each meeting of the Strategic Assurance Board both performance and financial data is presented for review and comment. This also presented to JARAP, and where appropriate to the East Midlands Police and Crime Commissioners Board.</li> <li>• There are clear mechanisms established and operating to provide Collaboration updates / reporting.</li> </ul>
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- The Annual Governance Statement for both the OPCC and the Force are included in the Annual Accounts which are then published on the relevant web sites. These statements are signed off by the Police and Crime Commissioner with support from the Chief Financial Officer for the OPCC and the Chief Constable with support from the Director of Finance for the OCC.
- Stage 2 is the transfer of appropriate police staff from the employment of the OPCC to the OCC and transfer of assets and responsibilities. A programme of work is underway, led by the OPCC Chief Executive and the OCC Director of Human Resources, which aims to ensure that an appropriate outcome is reached in accordance with Home Office deadlines. The deadline is the 31st March 2014, which is shortly after the completion of our fieldwork.

**Application of and compliance with control framework**

- From a review of the above noted controls there were no high or medium rated recommendations made. Testing did identify five areas of minor weakness that have resulted in low priority recommendations being made.

Action	Management Response	Date	Responsible Officer
No high or medium priority recommendations were made during this audit			

<b>Assignment: Payroll Provider Review (1.14/15)</b>	<b>Opinion:</b> H - 0 M - 0 L - 0	<b>GREEN</b>
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**Key Findings**

**Design of control framework**

We found that the control framework had been adequately designed.

Controls in place included the following:

- User accounts on the SAP system for Mouchel staff were required to be set up by the SAP team upon receiving an authorised electronic request. The access levels within users accounts were defined, based on the individuals' role. Requests for new users, change to access levels and deactivating accounts, are logged onto a call management system which allows both parties to monitor the progress of the request.
- Access to payroll data was restricted by use of two tier passwords, requiring users to log into their computer and log into SAP. Users were prompted by the SAP system to change their passwords every 30 days.
- Audit logs of user activity in SAP were held on the system and provided evidence to support investigations into any payroll exceptions identified and allowing them to substantiate the legitimacy of the changes made.
- The Mouchel Payroll team had Pay Cycle Stage checklists in place for each of the payroll runs that were completed for staff, officers and pensioners. These defined the processes that were required to be followed monthly and identified reports which need to be produced before the final pay day.
- Amendments to pay rates were communicated from Leicestershire Police to Mouchel in line with the national pay award percentage.
- A prima facia check was performed by the Mouchel staff on the variance of payroll figures from month to month.
- Mouchel maintained a Key Performance Indicators (KPI) spreadsheet in order to monitor performance against the Service Level agreement in place with the Police Consortium.
- Payroll processing dates were agreed and defined in the January before the new financial year began.
- An up to date authorised signatory list for Leicestershire Police was held at Mouchel which detailed those with the authorisation to approve BACS payments.
- The BACS submission summaries were signed off by Mouchel staff independent to the personnel who produced the initial and second pay run to maintain segregation of duties.

- Pension New Starter forms were populated by the team at Middlesborough and included details of monthly and annual pension payments due, any lump sum amounts payable and a record of who had performed the calculation and who had approved the form.
- Payroll and pensions data sent between Mouchel and Leicestershire Police Payroll staff was traceable via a Secure Data Transfer portal.
- Mouchel has a disaster recovery procedure which clearly outlines a step by step procedure that should be undertaken in the event of database corruption. They also have a Recovery Plan in place that details the main contacts and the actions to be taken in the event of a disaster.
- We reviewed the Information Security Policy that provides the end user with sufficient information on information security.

**Application of and compliance with control framework**

We found that the control framework had been consistently applied and complied with.

Sample testing was conducted during the audit and we found no issues with compliance in the following areas:

- Ten users with access to the Payroll system were verified as being granted access appropriately in line with their roles; this included new starters.
- Change logs for three months were analysed for standing data amendments including bank details and basic salary, and we confirmed that the only changes made by Mouchel related to incremental increases and pay awards which were within the remit of the Payroll Bureau to complete.
- Checklists from each stage of the payroll processing were analysed for nine months across the three payroll groups (staff, officers and pensions). Stages included initial and second pay run, checking authorisation and payments. We confirmed in each case that they had all been fully completed and subject to independent review and sign off.
- Prima facia checks were completed on the variance in figures against the previous months payroll, these were analysed for nine months across the three payroll groups (staff, officers and pensions), and we confirmed that they had all been checked as part of the monthly checklist activity.
- Reporting of the payroll processing stages were analysed over six months covering the three payroll groups (staff, officers and pensions), and we confirmed they were compliant with the payroll timetables.
- Bank Automatic Clearing Service (BACS) runs were analysed for nine months across the three payroll groups (staff, officers and pensions), and we confirmed that they had all been fully completed and subject to independent review and sign off; in each case the payroll had been produced in line with the timetable.

We analysed the documentation held for a sample of ten pensioners who had started receiving payments during 2013/14. We found that there was an adequate audit trail to verify how the pension calculations had been made, who had completed the calculation and that this information had been accurately communicated via the Secure Portal to Leicestershire Police. We also confirmed that the pension new starter forms had been independently signed off by a Mouchel Pensions supervisor.

Action	Management Response	Date	Responsible Officer
No recommendations were made during this audit.			

<b>Assignment: Estates Management (2.14/15)</b>	<b>Opinion:</b> H - 0 M - 0 L - 3	<b>GREEN</b>
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**Key Findings**

**Design of control framework**

We found the control framework had been adequately designed controls in place included the following:

- There was a 20 year Estates Strategy in place which was developed during 2009 and presented to the legacy Police Authority for approval. The Strategy covered the period 2010 - 2030 and described the data and research upon which the strategy was based including incident mapping and consideration of alternative working methods.



- A rolling property maintenance plan was in place covering the current year 2014/15 plus four years - 2015/16 to 2018/19.
- The plans list the maintenance project themes and locations identified within the Estates Strategy, a description of the work required at each site and was updated to reflect actual costs incurred against the allocated budget for the current year.
- The budget for the maintenance plan was derived from the Estates capital and revenue budgets which are agreed by the Office of the Police and Crime Commissioner (OPCC) and Police and Crime Panel (PCP) prior to the start of the year.
- Stock condition surveys were undertaken across all of the sites in the Estate. The results of these surveys were held electronically and were referenced for ease of access by members of the Estates Department.
- The results of the stock condition surveys influence the maintenance programme and determine the urgency of the work required.
- Depending on future capital projects planned, the expected useful life of the building and projected cost of the works needed; priority is assigned to maintenance projects and these were either included in the current or future years plans.
- In April 2014, a Bluelight framework for maintenance contractors was awarded to a selected number of suppliers from various trades including building works, plumbing and electrical contractors. These suppliers were rotated when works are required by contractors in order to gain the best value for money.
- The Financial Regulations and Contract Standing Orders outlined the thresholds relating to ordering and payment of capital and maintenance projects undertaken.
  - Maintenance works of a value under £5,000 were requested by the Estates Department who raised orders via the Estates Ordering system PLANET and produced corresponding purchase orders on the SAGE finance system.
  - For all works over £5,000 the Procurement Department undertook the processes to raise orders with suppliers. Exceptions to these procurement rules included single tender awards for which those of a value up to £5,000 approval is required by the Force Finance Director and those exceeding £5,000 approval must be sought from the Chief Finance Officer for the Office of the Police and Crime Commissioner (CFO OPCC)
  - For works valued at over £4,348,350, and £173,934 for services, EU tender processes were required to be followed.
- Responsive maintenance work was logged and prioritised on the PLANET system. Jobs were raised according to whether the work was of a general nature which may be able to be dealt with by the in house Premises Officers or if works of a specialist nature are needed; external contractors would be called.
- The progress of all jobs was monitored irrespective of who was carrying out the work and this was reviewed on a daily basis by the Estates Office Manager. Once jobs are completed the system is updated by the Estates Admin/ Finance Officer. We noted during sample testing on works completed by external contractors, that it was assumed that the job had been completed when invoices were received and there was no reference back to the Facilities Officer responsible for managing the particular job to verify satisfactory completion prior to invoices being approved. Where there is no process in place to verify jobs have been fully and satisfactorily completed prior to approving invoices, there is a risk that payments could be made prior to contractors finishing the work, which could give rise to financial losses. A medium priority recommendation has been made to address this issue.
- The Maintenance Plan was reviewed periodically by the Head of Estates with each member of the Department, to monitor the progress made in the individuals respective areas of responsibility, for example, electrical works. Progress made against capital works programme was also monitored by the Head of Estates with an update report provided to the Force Finance Director on a quarterly basis.
- The PLANET system was updated as a means to ensure that works were done and to manage the workload of the Premises Officers.
- An Asset Portfolio detailed all of the properties across the Estate and listed the associated running costs such as rent, utility bills and the latest valuation.
- The Estates Department had set no local key performance indicators against which to measure performance other than to ensure that they remain within budget.

- Benchmarking was undertaken by the National Police Estates Group (NPEG) which provided the Estates Department with an indicator of how their running costs per square foot against other Forces in the Country. Internal benchmarking reports were also provided and enabled comparisons to be made within the Estate.

**Application of and compliance with control framework**

We found the control framework had been applied and complied with consistently.

Testing undertaken during the audit included the following:

- We confirmed that a value of £516,243 had been agreed as part of the budget setting process for 2014/15 and from review of the anticipated costs of the projects for we verified that the planned spend was £502,887.
- We reviewed a sample of 10 completed projects from the 2013/14 Maintenance Plan and were able to trace them back to corresponding Condition Surveys, works requests or phased projects in eight cases; the remaining two cases had been added to the Plan at the request of Management.
- We reviewed the condition surveys at three sites across the Estate and verified that all of the work identified on the surveys had been either been added to the Maintenance Plan or repair jobs had been requested for more urgent jobs.
- An approved framework was in place for the provision of contractor works including building, electrical and plumbing.
- Sample testing on 10 repairs and maintenance jobs by the in-house Premises Officers confirmed that there was a record of the work completed, who this was done by and the length of time taken.
- Sample testing on 10 repairs and maintenance jobs by external contractors confirmed that corresponding purchase orders and invoices were held and that these had been adequately approved in line with the Financial Regulations.
- We confirmed that update papers were presented to the Finance Director on a quarterly basis in order for an update to be provided on the Estates Strategy at the Strategic Assurance Board (SAB), the meetings of which were attended by PCC and Chief Finance Officer.
- We confirmed from review of the Decision Record for the PCC, that matters including refurbishment, closure and sale of land and buildings were reported appropriately.

Testing noted three areas of minor weaknesses that have resulted in 'low' priority recommendations being made and full details of these can be found in sections two and three of the report.

Action	Management Response	Date	Responsible Officer
No high or medium priority recommendations were made during this audit			

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.

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