

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

A

Report of	HEAD OF INTERNAL AUDIT / CHIEF FINANCE OFFICER
Subject	INTERNAL AUDIT PROGRESS REPORT
Date	TUESDAY 22 SEPTEMBER, 2015 – 09:30 A.M.
Author	MR B WELCH / CHIEF FINANCE OFFICER

Purpose of Report

1. This report provides an update of the operational plan for the year ended 31st March 2016.

Recommendation

2. The Panel is recommended to discuss the contents of the report.

Background

3. The Internal Audit plan was presented to JARAP at its meeting on 3rd June, 2015.

Implications

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: as per individual reports.

Link to Police and Crime Plan: as per audit plan

List of Attachments / Appendices

Appendix 1: Internal Audit Progress Report

Background Papers

None

Persons to Contact

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

Internal Audit Progress Report 2015/16

September 2015

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 22nd September 2015

Contents

- 01 Introduction
- 02 Summary and conclusions from Internal Audit work to date
- 03 Performance

Appendices

- A1 Summary of Reports
- A2 Internal Audit Plan 2015/16
- A3 Definition of Assurances and Priorities
- A4 Contact Details
- A5 Statement of Responsibility

01 Introduction

- 1.1 The purpose of this report is to update the Joint Audit, Risk & Assurance Panel (JARAP) as to the progress in respect of the Operational Plan for the year ended 31st March 2016. The plan was considered and approved by the JARAP at its meeting on 3rd June 2015.
- 1.2 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.
- 1.3 Internal audit provides the Police and Crime Commissioner and Chief Constable, through the 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.
- 1.4 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.
- 1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

- 2.1 We have issued one final report to date, in respect of Firearms Licensing. The following table provides a summary of assurances, including the number and categorisation of recommendations, in each report issued to date. Further details, and scheduled work for the rest of the year, are provided in Appendix A1.

Auditable Area	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Firearms Licensing	Final	Satisfactory	-	2	3	5
Total			0	2	3	5

- 2.2 As part of the contract take-on process, Internal Audit were invited to 'mobilisation and familiarisation' meetings on the 3rd and 5th June where we met with a number of key staff from across the Force and OPCC and obtained an in-sight to operations within Leicestershire which will inform the scope of Internal Audit activity. Additionally, we have recently introduced an on-line audit portal whereby all audit-related documents, for example draft and final reports, will be stored.
- 2.3 In addition to the above, we have agreed the scope and have work scheduled to be carried out over the coming weeks in a number of areas, including Risk Management and a number of the Core Financial Systems. We are currently working with management to agree the scope of work on a number of other audits, with a further four audits planned to be carried out before the New Year and remaining scheduled for Quarter 4 (see Appendix A1).
- 2.4 Internal Audit recently attended a meeting of the OPCC Chief Financial Officers Group at which one of the areas discussed was how Internal Audit could provide assurance with regards the key risks relating to regional collaboration. One area under consideration is an assurance mapping exercise which could look at the key risks relating to collaborative working and how each force secures assurance that they are being effectively managed. An outline scope of the proposed work is currently being considered by the Group who are also considering work already undertaken on regional assurance mapping to determine the most appropriate way forward.

03 Performance

3.1 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. This list will be developed over time, with some indicators either only applicable at year end or have yet to be evidenced.

No	Indicator	Criteria	Performance
1	Annual report provided to the JARAP	As agreed with the Client Officer	N/A
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% (1/1)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (1/1)
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% (7/7)
9	Customer satisfaction (measured by survey)	85% average of 3 or less	N/A

Appendix A1 – Summary of Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the reports issued to date are provided below:

Fire Arms Licensing

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	2
Priority 3 (Housekeeping)	3

Our audit considered the following risks relating to the area under review:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Applications and renewals are not suitably vetted as part of the approval process leading to inappropriate issuing of licenses.
- Applications and renewals are not authorised in accordance with the approved firearms licensing process leading to inappropriate issuing of licenses.
- Payments are not received in accordance with the agreed rates and are not properly accounted for leading to a financial loss to the force.
- Clear procedures are not in place in respect of the revoking of licences leading to inappropriate revocations.
- There is not an agreed process for home / security inspections with regards the holding of firearms leading to unsafe securing of firearms.
- Performance information is not available and is not reviewed resulting in ineffective administration of the firearms licensing process.

In reviewing the above risks, our audit considered the following areas:

- Policies and Procedures
- Applications
- Payments
- Renewals and Changes
- Revoking Licenses
- Inspections
- Performance Monitoring

We raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These have been set out below:

- All certificates should be approved by the appropriate party with delegated authority and a segregation of duties should occur between the visit to the applicant and the approval of the certificate.
- In light of the 'fast-tracked' applications, the procedures supporting the home security visits required prior to approval of a certificate should be reviewed, updated if necessary and appropriately approved.

Management accepted the recommendations and have either already implemented the recommendations or have put in place plans to address the remaining issues by October 2015.

We also raised three priority 3 recommendations of a more housekeeping nature.

Appendix A2 Internal Audit Plan 2015/16

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Core Assurance					
Compliance with the Joint Code of Corporate Governance	January 2016	February 2016	February 2016	February 2016	
Risk Management	October 2015	November 2015	November 2015	December 2015	Scope and fieldwork dates agreed.
Core Financial Systems					
General Ledger	November 2015	December 2015	December 2015	February 2016	Scope agreed.
Payroll	January 2016	February 2016	March 2016	April 2016	
Creditors	November 2015	December 2015	December 2015	February 2016	Scope agreed.
Debtors	November 2015	December 2015	December 2015	February 2016	Scope agreed.
Budget Control	November 2015	December 2015	December 2015	February 2016	
Cash & Banking	November 2015	December 2015	December 2015	February 2016	
Asset Management	November 2015	December 2015	December 2015	February 2016	
Payroll Provider Review	February 2016	March 2016	March 2016	April 2016	

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Strategic & Operational Risk					
ICT Review	January 2016	February 2016	February 2016	February 2016	Deferred to Q4 on management's request.
Seized and Found Property	November 2015	December 2015	December 2015	February 2016	Deferred to Q3 on management's request.
Human Resources	January 2016	February 2016	March 2016	April 2016	
Firearms Licensing	July 2015	August 2015	August 2015	September 2015	Final report issued.
Change Programme	December 2015	January 2016	February 2016	February 2016	
Partnership / Engagement	October 2015	November 2015	November 2015	December 2015	
Collaboration					
Collaboration	On-going	On-going	On-going	On-going	See paragraph 2.3.
Other					
Mobilisation of Victims & Witnesses	November 2015	December 2015	December 2015	February 2016	Additional work, scope to be agreed.

Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
Satisfactory Assurance:	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.
Limited Assurance:	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.
No Assurance	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
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	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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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.

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