



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

Internal Audit Progress Report 2015/16

November 2015

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 7<sup>th</sup> December 2015

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## 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 31<sup>st</sup> March 2016. The plan was considered and approved by the JARAP at its meeting on 3<sup>rd</sup> 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 two final reports to date, although details in respect of Firearms Licensing were reported in the previous progress report. 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
Risk Management	Final	Significant	-	-	3	3
<b>Total</b>			<b>0</b>	<b>2</b>	<b>6</b>	<b>8</b>

- 2.2 Work in respect of General Ledger, Creditors, Debtors, Budgetary Control and Cash & Banking has recently been completed and will be reported shortly. In addition, the scope of the work in respect of the Joint Code of Corporate Governance, Change Programme and Partnerships / Engagement have been agreed and fieldwork commences at the end of November and early December. We are currently working with management to agree the scope of work on the remaining schedule of work for Quarter 4 (see Appendix A1).
- 2.3 There has been one change to the plan since the previous progress report. In the summer, Audit were asked to carry out a review of Mobilisation of Victims & Witnesses and this was to be in addition to the original audit plan. At the September JARAP meeting the timescales were discussed and subsequently it has been agreed that the audit be put on hold whilst other assurance work on victims and witnesses is completed and embedded, after which it will be considered as part of the 2016/17 audit planning process.
- 2.4 As reported last time, Internal Audit 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. Since this meeting Internal Audit have attended a further meeting of the Group at which Collaboration was again discussed. It was agreed that Baker Tilly, having undertaken an initial 'Proof of Concept' review of the Learning and Development regional collaboration arrangement, would be commissioned to undertake similar assurance mapping exercises on the other areas of collaboration. As a consequence, at the time of writing, the Group are currently discussing how best to utilise the resources in the internal audit plan set aside for collaboration.

## 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% (2/2)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (2/2)
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% (11/11)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

# 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:

## Risk Management

<b>Assurance Opinion</b>	<b>Significant</b>
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	-
Priority 3 (Housekeeping)	3

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

- A risk management strategy, with supporting policies and procedures, is in place and available to officers and staff.
- Procedures are in place to ensure that risks are identified, assessed, recorded, and appropriate risk owners are assigned.
- The service risk registers are subject to regular review and are updated in a consistent manner.
- Risk mitigation actions are in place and there is evidence they are monitored to ensure tasks are completed within agreed timescales.
- Appropriate oversight and reporting arrangements, including between the Force and OPCC, are in place and are working effectively.
- The methods for identifying and managing potential risk within the business areas are regularly reviewed, with consideration given to developing engagement at all levels.
- There are clear links between the Risk Management framework and the processes in place for Disaster Recovery and Business Continuity.
- Recommendations raised in previous reviews have been implemented.

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

- Policies and Procedures
- Risk Registers
- Risk Mitigation
- Reporting Arrangements
- Follow Up of Previous Recommendations

We raised three priority 3 recommendations where we believe there are opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk:

- Consideration should be given to formally cascading the risk management training down to staff within the individual Directorates. This could take the form of training sessions or availability of the training material on the Force intranet.

Awareness of this training and availability of the most recent Risk Management Procedure should be highlighted to staff across the Force.

- In line with the Risk Management Procedure, risk should be evidenced as a standing agenda item at each Senior Management Team meeting.
- Periodic exercises should be undertaken to provide assurance that all service areas within the Force Directorates are actively identifying risks from a formal scanning process and reporting these as a result. If the gap analysis highlights any service area which does not have any current risks (being departmental or strategic) then confirmation with the Head of the service area should be sought to confirm there are no current identified risks within their environment.

Management accepted the recommendations and have put in place plans to address the issues by March 2016.

## Appendix A2 Internal Audit Plan 2015/16

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target JARAP	Comments
<b>Core Assurance</b>					
Compliance with the Joint Code of Corporate Governance	Dec 2015	P - Dec 2015	P - Jan 2016	Feb 2016	Scope agreed; starts 7 <sup>th</sup> Dec.
Risk Management	Oct 2015	A - Oct 2015	A - Nov 2015	Dec 2015	Final report issued.
<b>Core Financial Systems</b>					
General Ledger	Nov 2015	P - Dec 2015	P - Dec 2015	Feb 2016	Fieldwork completed; being reviewed.
Payroll	Jan 2016	P - Feb 2016	P - Feb 2016	Feb 2016	
Creditors	Nov 2015	P - Dec 2015	P - Dec 2015	Feb 2016	Fieldwork completed; being reviewed.
Debtors	Nov 2015	P - Dec 2015	P - Dec 2015	Feb 2016	Fieldwork completed; being reviewed.
Budget Control	Nov 2015	P - Dec 2015	P - Dec 2015	Feb 2016	Fieldwork completed; being reviewed.
Cash & Banking	Nov 2015	P - Dec 2015	P - Dec 2015	Feb 2016	Fieldwork completed; being reviewed.
Payroll Provider Review	Jan 2016	P - Feb 2016	P - Feb 2016	Feb 2016	



Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target JARAP	Comments
<b>Strategic &amp; Operational Risk</b>					
ICT Review	Jan / Feb 2016	P - Feb 2016	P - March 2016	May 2016	Deferred to Q4 on management's request.
Seized and Found Property	Feb 2016	P - Feb 2016	P - March 2016	May 2016	Deferred to Q4 on management's request.
Human Resources	Jan 2016	P - Feb 2016	P - Feb 2016	Feb 2016	
Firearms Licensing	July 2015	A - Aug 2015	A - Aug 2015	Sept 2015	Final report issued.
Change Programme	Dec 2015	P – Jan 2016	P - Feb 2016	Feb 2016	Scope agreed; starts 14 <sup>th</sup> Dec.
Partnership / Engagement	Nov / Dec 2015	P - Dec 2015	P - Jan 2016	Feb 2016	Scope agreed; starts 30 <sup>th</sup> Nov.
<b>Collaboration</b>					
Collaboration	On-going	On-going	On-going	On-going	See paragraph 2.4.

\* P – Planned Date; A – Actual Date

## Appendix A3 – 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

Mike Clarkson

07831 748135

[Mike.Clarkson@Mazars.co.uk](mailto:Mike.Clarkson@Mazars.co.uk)

Brian Welch

07780 970200

[Brian.Welch@Mazars.co.uk](mailto:Brian.Welch@Mazars.co.uk)

## 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.*

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