

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

Internal Audit Progress Report 2015/16

February 2016

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 22nd February 2016

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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 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 is accordance with the Public Sector Internal Audit Standards (PSIAS).

1. Summary of internal audit work to date
   1. We have issued three final reports since the last progress report to the JARAP, these being in respect of Core Financials, the Joint Code of Corporate Governance and Partnerships. A meeting has been set up to discuss the response in respect of a further draft audit report with regards the Change Programme.
   2. The following table provides a summary of assurances, including the number and categorisation of recommendations, in each report issued to the 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 |
| Change Programme | Draft | Satisfactory | - | 1 | 2 | 3 |
| Core Financials | Final | Significant | - | - | 1 | 1 |
| Joint Code of Corporate Governance | Final | Significant | - | - | 1 | 1 |
| Partnerships | Final | Satisfactory | - | 3 | 2 | 5 |
|  |  | **Total** | **0** | **6** | **12** | **18** |

* 1. Work in respect of Payroll, Payroll Provider and Human Resources have recently been completed and will be reported in due course. In addition, work in respect of ICT and Seized & Found Property is due to commence shortly.
  2. As reported in the last progress report, Baker Tilly had been commissioned to undertake assurance mapping exercises across a number of regional collaboration arrangements, the output of which would inform the internal audit plan. At the time of writing we have not had sight of the output from this work. However, the OPCC Chief Finance Officer group have requested that Internal Audit, in the meantime, undertake regional audits in the following areas:
* Officers in kind
* Forensics
* Covert Payments
* Terms of Reference for the PCC Board

Audit are currently in discussions to agree the scope of each audit, with the aim of carrying out the work as part of the 2015/16 audit plan.

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% (6/6) |
| 5 | Issue of final report | Within 5 working days of agreement of responses. | 100% (5/5) |
| 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% (9/9) |
| 9 | Customer satisfaction (measured by survey) | 85% average satisfactory or above | 100% (2/2) |

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 final reports issued to date are provided below:

**Joint Code of Corporate Governance**

|  |  |
| --- | --- |
| **Assurance Opinion** | **Significant** |

|  |  |
| --- | --- |
| **Recommendation Priorities** | |
| Priority 1 (Fundamental) | - |
| Priority 2 (Significant) | - |
| Priority 3 (Housekeeping) | 1 |

Our audit considered the following control objectives:

* A Joint Code of Corporate Governance is in place between the Commissioner and Chief Constable that complies with relevant legislation and guidance.
* The process used for the regular review of the governance framework is proportionate and sufficiently robust and that the implementation of previously identified improvement actions has been effectively monitored.
* The corporate governance framework is supported by policies and procedures, such as a decision making framework and scheme of delegation, and these are appropriately communicated and monitored for compliance.
* The roles and responsibilities of senior officers and staff within the Force and OPCC are clearly defined, particularly regarding their decision making responsibilities.
* Decisions are made in accordance with the governance framework in a clear and transparent manner, supported by appropriate levels of relevant and timely information.
* Decisions made are clearly recorded, communicated and published where relevant.
* Mechanisms are established to hold the Chief Constable to account for service performance/delivery.
* Scheduling of meetings and communications between the Force and OPCC are timely and proportionate.
* Stage 2 arrangements have been appropriately included within the Corporate Governance Framework.

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

* Corporate Governance Framework
* Policies and Procedures
* Decision Making Framework
* Performance Monitoring
* Roles and Responsibilities

We raised one priority 3 recommendation where we believe there was an opportunity to implement a good or better practice, to improve efficiency or further reduce exposure to risk; this related to the following:

* The forward plan for the Strategic Assurance Board should be formalised in line with those in place for the Ethics Committee and JARAP and agreed annually by the Board to ensure that priority areas are identified and addressed by the board in line with the corporate governance framework.

Management accepted the recommendation and have put in place a plan to address the issue by April 2016.

**Core Financials**

|  |  |
| --- | --- |
| **Assurance Opinion** | **Significant** |

|  |  |
| --- | --- |
| **Recommendation Priorities** | |
| Priority 1 (Fundamental) | - |
| Priority 2 (Significant) | - |
| Priority 3 (Housekeeping) | 1 |

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.
* Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
* There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
* Misappropriation of cash held by the force and lack of appropriate security to keep funds safe.
* Budgets are not in place to monitor performance to align to the strategic objectives of the organisational.
* The purchasing process is not complied with by staff which could lead to fraudulent transactions that go undetected.
* An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.

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

* General Ledger
* Cash & Bank
* Budgetary Control
* Payments and Creditors
* Income and Debtors

We raised one priority 3 recommendation where we believe there was an opportunity to implement a good or better practice, to improve efficiency or further reduce exposure to risk; this related to the following:

* An establishment list should be obtained from HR and compared to current Agresso users and action taken to remove users where appropriate regularly.

Management accepted the recommendation and had put in place a plan to address the issue by January 2016.

**Partnerships**

|  |  |
| --- | --- |
| **Assurance Opinion** | **Satisfactory** |

|  |  |
| --- | --- |
| **Recommendation Priorities** | |
| Priority 1 (Fundamental) | - |
| Priority 2 (Significant) | 3 |
| Priority 3 (Housekeeping) | 2 |

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

* Lack of defined governance arrangements resulting in inappropriate decision on either the direction of the partnership, delivery of actions or focus of resource.
* Outdated partnership arrangements that do not address change or updates to key issues or objectives faced by the OPCC and Police Force.
* Lack of a partnership strategy / direction for partnership working leading to inconsistent working practices, ineffective allocation of resources and inadequate contribution to the partnership working.
* Ineffective monitoring processes do not allow for timely information to be produced and reported against set targets.
* The OPCC/ Force are unable to demonstrate that the resource being utilised within the partnership is effective and providing value for money in terms of increasing public confidence in policing in line with the Police & Crime Plan.
* Lack of transparency in partnership changes resulting in partners not being aware of their roles and responsibilities leading to a lack of accountability.

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

* Governance Arrangements
* Operational Management of Partnerships
* Review & Monitoring
* Partnership Transparency

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

* Work to establish a Cyber Crime Board should be progressed to include identification of key partners, strategies, key priorities and actions. Links with other partnerships should be considered when setting priorities, for example, Serious & Organised Crime and Anti Social Behaviour, to reduce the risk of duplication and the partnership can be effective in targeting issues across the Force, in particular the progressing of crime prevention.
* All partnership sub groups to the Strategic Partnership Board within the hierarchy should have a strategy in place that is reviewed and refreshed on at least an annual basis.

Up to date terms of reference should also be in place for the partnership sub groups. These should be reviewed on at least an annual basis.

* Development of the performance management framework should be progressed for the Strategic Partnership Board. The performance framework should include Objectives for the partnership; Key performance indicators against the objectives; Trend analysis; and Reporting arrangements.

We also raised two priority 3 recommendations of a more housekeeping nature in respect of the following:

* Value for money arrangements
* Transparency of partnerships

Management accepted the recommendations and have either already implemented the proposed action or have put in place a plan to address the issues between June and November 2016.

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 | Dec 2015 | A - Dec 2015 | A - Jan 2016 | Feb 2016 | Final report issued. |
| Risk Management | Oct 2015 | A - Oct 2015 | A - Nov 2015 | Dec 2015 | Final report issued. |
| **Core Financial Systems** | | | | | |
| General Ledger | Nov 2015 | A - Nov 2015 | A - Dec 2015 | Feb 2016 | Final report issued. |
| Payroll | Jan 2016 | P - Feb 2016 | P - Mar 2016 | May 2016 | Fieldwork completed; being reviewed. |
| Cash & Bank | Nov 2015 | A - Nov 2015 | A - Dec 2015 | Feb 2016 | Final report issued. |
| Budgetary Control | Nov 2015 | A - Nov 2015 | A - Dec 2015 | Feb 2016 | Final report issued. |
| Payments & Creditors | Nov 2015 | A - Nov 2015 | A - Dec 2015 | Feb 2016 | Final report issued. |
| Income & Debtors | Nov 2015 | A - Nov 2015 | A - Dec 2015 | Feb 2016 | Final report issued. |
| Payroll Provider Review | Jan 2016 | P - Feb 2016 | P - Mar 2016 | May 2016 | Fieldwork completed; being reviewed. |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Strategic & Operational Risk** | | | | | |
| ICT Review | Jan / Feb 2016 | P - Feb 2016 | P - March 2016 | May 2016 | Scope agreed; starts 24th Feb. |
| 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 | May 2016 | Fieldwork completed; being reviewed. |
| Firearms Licensing | July 2015 | A - Aug 2015 | A - Aug 2015 | Sept 2015 | Final report issued. |
| Change Programme | Dec 2015 | A – Jan 2016 | P - Feb 2016 | May 2016 | Draft issued; further meeting scheduled 3rd Feb. |
| Partnership / Engagement | Nov / Dec 2015 | A - Dec 2015 | A - Jan 2016 | Feb 2016 | Final report issued. |
| **Collaboration** | | | | | |
| 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

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| --- | --- | --- |
| **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. |

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| --- | --- |
| **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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| --- | --- |
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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.*

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