



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

Internal Audit Progress Report 2016/17

March 2017

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 17th March 2017

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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 2016/17 Internal Audit Plan which was considered and approved by the JARAP at its meeting on 22nd February 2016.
- 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 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 three final reports in respect of the 2016/17 plan since the last progress report to the JARAP, these being in respect of the Core Financial Systems, Victims Code of Practice and ICT Review. Additionally, a draft report has been issued in respect of Payroll Provider and we await management's response. Further details are provided in Appendices 1 and 2.

| Leicestershire 2016/17 Audits | Report Status | Assurance Opinion | Priority 1 (Fundamental) | Priority 2 (Significant) | Priority 3 (Housekeeping) | Total |
|-------------------------------|---------------|-------------------|--------------------------|--------------------------|---------------------------|-----------|
| Business Continuity | Final | Significant | - | - | 3 | 3 |
| Complaints Management | Final | Satisfactory | - | 3 | - | 3 |
| Vetting Procedures | Final | Satisfactory | - | 5 | 2 | 7 |
| Pensions Provider | Final | Satisfactory | - | 1 | 1 | 2 |
| Core Financial Systems | Final | Satisfactory | - | 1 | 4 | 5 |
| Payroll | Final | Satisfactory | - | 2 | 2 | 4 |
| Victims Code of Practice | Final | Satisfactory | - | 4 | 4 | 8 |
| ICT Review | Final | Satisfactory | - | 2 | 2 | 4 |
| Payroll Provider | Draft | | | | | |
| Total | | | - | 18 | 18 | 36 |

- 2.2 As agreed at previous meetings of the JARAP, the audits of Commissioning and Seized & Found Property have been deferred and are included in the 2017/18 Internal Audit Plan that is reported separately.

2.3 As reported in our previous progress report, five specific areas have been identified in terms of the collaborative audits for 2016/17. These reviews looked at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope also included value for money considerations and arrangements for managing risk. To date, we have finalised three reports (Shared HR Service Centre, Legal Services and EMSOU). Work in respect of EMSOU and EMOpSS have recently been completed and are being reviewed.

| Collaboration Audits 2016/17 | Status | Assurance Opinion | Priority 1 (Fundamental) | Priority 2 (Significant) | Priority 3 (Housekeeping) | Total |
|------------------------------|-------------------------------------|-------------------|--------------------------|--------------------------|---------------------------|-----------|
| EM Shared HR Service Centre | Final | Satisfactory | | 1 | 3 | 4 |
| EM Legal Services | Final | Limited | 1 | 3 | 2 | 6 |
| EMOpSS | Fieldwork complete; being reviewed. | | | | | |
| EMS Commercial Unit | Final | Satisfactory | | 3 | | 3 |
| EMSOU | Fieldwork complete; being reviewed. | | | | | |
| Total | | | 1 | 7 | 5 | 13 |

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% (9/9) |
| 5 | Issue of final report | Within 5 working days of agreement of responses. | 100% (8/8) |
| 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% (3/3) |

Appendix A1 – Summary of Reports 2016/17

Below we provide 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 since the last progress report:

Core Financial Systems

| | |
|----------------------------------|---------------------|
| Overall Assurance Opinion | Satisfactory |
|----------------------------------|---------------------|

| Individual Area Assurance Opinions | |
|---|---------------------|
| General Ledger | Significant |
| Cash, Bank & Treasury Management | Significant |
| Payments & Creditors | Satisfactory |
| Income & Debtors | Significant |

| Recommendation Priorities | |
|----------------------------------|---|
| Priority 1 (Fundamental) | - |
| Priority 2 (Significant) | 1 |
| Priority 3 (Housekeeping) | 4 |

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.
- The purchasing process is not complied with by staff which could lead to inappropriate transactions going undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.
- System weaknesses are not addressed in line with agreed actions resulting in sustained weaknesses which may lead to financial loss or reputational damage.

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

- General Ledger
- Cash and Bank

- Payments and Creditors
- Income and Debtors
- Previously Identified Weaknesses

We raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This was in respect of the following:

- A formally documented procedure for the setting up of new suppliers and the processing of amendments to supplier standing data should be produced and communicated to staff. This procedure should include, but not be limited to, the following information:
 - Roles and responsibilities of departments;
 - Process to follow in handling requests;
 - Documentation to be completed and retained; and
 - Fraud checks to be completed and recorded.

We also raised four housekeeping issues with regards sales invoice supporting documentation, leavers system access removal, non PO purchases and credit note supporting documentation.

Management confirmed that all actions will be implemented by the end of February 2017.

Victims Code of Practice

| Assurance Opinion | Satisfactory |
|---------------------------|--------------|
| Recommendation Priorities | |
| Priority 1 (Fundamental) | - |
| Priority 2 (Significant) | 4 |
| Priority 3 (Housekeeping) | 4 |

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

- The requirements, as set out in the Code of Practice for Victims of Crime, are being complied with by Leicestershire Police and subsequently the commissioned Victim First service.
- Policies and procedures have been put in place to support officers in complying with the Code. Such guidance should include, but not be limited to, guidance in respect of:
 - Needs assessments
 - Crime reporting work sheets
 - Referral mechanisms
 - Communications with the victim
 - Personal statements
 - Complaints procedures
- An effective referral process is in place between the Force and the OPCC commissioned Victim First service, with victims who take up additional support receiving all their entitlements in line with the Code of Practice.
- Force performance information is available, and provided to the appropriate forum, in respect of compliance with the Code and action plans put in place to address areas of improvement.
- Service user feedback is effectively utilised to inform and improve both police and wider partnership services on an ongoing basis.

We raised four priority 2 recommendations where we felt that controls could be strengthened. These related to the following:

- The current audits that are undertaken should be reviewed to ensure they provide effective feedback on compliance with the Victims Code of Practice. The samples selected should ensure an effective outcome can be provided. This should include:
 - An appropriate sample size for each area of VCOP;
 - Document if needs assessments have been completed;
 - Document if communication with the victim has met the VCOP entitlements.
- The Force should implement an appropriate process to ensure that each victim receives a written acknowledgement of the crime they have reported. This should include the basic details of the offence and confirmation of the communication with the victim should be recorded on the Niche system.
- In line with the Communication with Victims recommendation above, the Force should ensure that it provides victims of crime with information on what to expect from the criminal justice system in line with the VCOP. Consideration would be referral to online information through the email and text communications it sends to Victims.
- The Victims Survey reports should be reviewed at the VCOP compliance action group, alongside the results of the compliance audits, with a view to ensuring that underlying issues are highlighted and actions to address these are put in place.

We also raised four priority 3 recommendations of a more housekeeping nature relating to the Victims Code compliance action plan, needs assessments, complaints procedure and performance monitoring.

Management have confirmed that actions will be taken to address the above recommendations by the end of April 2017.

ICT Review

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

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

- Follow up on last year's ICT Review recommendations.
- Current position of IT strategic planning and governance structures in the light of changes from Strategic Alliance to tri-force arrangements.
- IT assets are effectively procured, managed and reviewed.
- Effective change management procedures are in place to minimise the risk of unauthorised changes to key systems.
- Users have appropriate levels of access to IT service and are subject to review.
- The IT Service is subject to effective incident management, call management and call handling procedures.

- Governance procedures are in place to manage and maintain the Public Service Network (PSN) accreditation and the Risk Management and Accreditation Document Sets (RMADS) document set and these continue to be effectively managed.

We raised two priority 2 recommendations where we felt that controls could be strengthened. These related to the following:

- The proposed review of service desk call handling procedures and as part of the Tri-Force arrangements is supported and we recommend that the Force continue with this review. The establishment of a centralised helpdesk as part of the IT Service desk system review and design work stream activity highlighted in the Tri Force work plan is supported and recommend that the Force continue with this establishment.
- We recommend that the Force continue with its work to achieve its PSN accreditation and whilst the Force is liaising with the accrediting body, it should note that the changes in the process may result in further work before accreditation is given.

We also raised two priority 3 recommendations of a more housekeeping nature relating to user management and information security resources.

Management have confirmed that actions will be taken to address the above recommendations by July 2017.

Shared Human Resource Service Centre

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

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

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This related to the following:

- The current SLA KPI's should continue to be reviewed to ensure SHRSC are able to clearly report on each one. These should be presented and approved at the next Management Board

Moreover, a quarterly performance report that includes all SLA KPI's should be created and communicated to both Forces to allow effective scrutiny of SHRSC performance.

We also raised three priority 3 recommendations of a more housekeeping nature. These were in respect of approval of the business plan, risk management and reporting of value for money.

Management confirmed that the recommendations would be implemented by the end of March 2017.

East Midlands Strategic Commercial Unit

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

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

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We raised three priority 2 recommendations where we believe there is scope for improvement within the control environment. These related to the following:

- The Forces' and EMSCU should ensure that the Management Board meetings are held on a regular / quarterly basis in order that performance is appropriately reviewed and actions put in place to address areas of weakness where necessary.

The SLT meeting timetable and agenda should be updated to reflect the move from monthly meetings to quarterly and ensure all standing agenda items listed are addressed at each meeting.

- The Business Plan should be reviewed and approved by the EMSCU Management Board to ensure the Forces have assurance that it meets the requirements of each Force.
- EMSCU should review the current KPI's that are in place and should prepare updated KPI's that can be presented to the Management Board for scrutiny, approval and subsequent regular reporting.

Management confirmed that the recommendations would be implemented by the end of March 2017.

Appendix A2 Internal Audit Plan 2016/17

| Auditable Area | Planned Fieldwork Date | Draft Report Date | Final Report Date | Target JARAP | Comments |
|---|------------------------|-------------------|-------------------|--------------|-----------------------------|
| Core Financial Systems | | | | | |
| Pensions Provider Review | Oct 2016 | Nov 2016 | Nov 2016 | Dec 2016 | Final report issued. |
| General Ledger | Nov 2016 | Nov 2016 | Dec 2016 | Mar 2017 | Final report issued. |
| Payroll | Nov 2016 | Nov 2016 | Nov 2016 | Feb 2017 | Final report issued. |
| Cash & Bank | Nov 2016 | Nov 2016 | Dec 2016 | Mar 2017 | Final report issued. |
| Payments & Creditors | Nov 2016 | Nov 2016 | Dec 2016 | Mar 2017 | Final report issued. |
| Income & Debtors | Nov 2016 | Nov 2016 | Dec 2016 | Mar 2017 | Final report issued. |
| Payroll Provider Review | Jan 2017 | Feb 2017 | | May 2017 | Draft report issued. |
| Strategic & Operational Risk | | | | | |
| Business Continuity | May 2016 | June 2016 | June 2016 | July 2016 | Final report issued. |
| Complaints Management | June 2016 | June 2016 | Aug 2016 | Sept 2016 | Final report issued. |
| Vetting Procedures | June 2016 | Aug 2016 | Sept 2016 | Sept 2016 | Final report issued. |
| Victims Code of Practice | Dec 2016 | Jan 2017 | Jan 2017 | Mar 2017 | Final report issued. |
| Information Technology | Dec 2016 | Jan 2017 | Feb 2017 | Mar 2017 | Final report issued. |
| Seized & Found Property | Feb 2017 | | | | Agreed to defer to 2017/18. |

| Auditable Area | Planned Fieldwork Date | Draft Report Date | Final Report Date | Target JARAP | Comments |
|-------------------------------|-------------------------------|--------------------------|--------------------------|---------------------|--------------------------------|
| Commissioning | Feb 2017 | | | | Agreed to defer to 2017/18. |
| Collaboration | | | | | |
| EMCHRS Transactional Services | Dec 2016 | Dec 2016 | Jan 2017 | Mar 2017 | Final report issued. |
| EM Legal Services | Nov 2016 | Nov 2016 | Nov 2016 | Dec 2016 | Final report issued. |
| EMOpSS | Feb 2017 | | | May 2017 | F/w completed; being reviewed. |
| EMS Commercial Unit | Nov 2016 | Dec 2016 | Jan 2017 | Mar 2017 | Final report issued. |
| EMSOU | Jan / Feb 2017 | | | May 2017 | F/w completed; being reviewed. |

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

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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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